



Planning, Research & Evaluation

Key Trends for Affordable Housing

March 2014



Introduction

As Minnesota Housing prepares its 2016-19 Strategic Plan, the Agency needs to consider the environment in which it is working. How will demographic, economic, market, and community trends affect the Agency’s work over the next four to five years?

The report highlights nine broad themes:

1. Minnesota Needs More Affordable Housing (Cost Burdened Households)	Page 7
2a. Economic Recovery	Page 13
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9. Aging Housing Stock	Page 62

This report is structured as a chart book – largely graphs and maps documenting issues and trends with some explanatory notes.

To prepare for the 2016-19 Strategic Plan, we have prepared three other reports to accompany this one.

- Statewide Gaps in Affordable Rental Housing
- Review and Summary of Local Housing Studies
- Summary of Issues and Possible Priorities Identified by Partners and Stakeholders

These and other research reports can be found at <http://www.mnhousing.gov> under the Policy & Research tab and the Research & Reports sub-tab.

Preview: Key Themes & Trends

1. Minnesota needs more affordable housing

- About 475,000 lower-income households were cost burdened in 2013.
- The share of the population that is cost burdened has increased since 2000.
- Median incomes have declined overall, but with a recent increase (adjusted for inflation).
- Housing costs have fluctuated but increased overall.

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This environmental scan provides a lot of information and data. To help the reader process the information and put it into context, the following five sides provide a preview of the key themes and trends that will be covered.

Minnesota needs more affordable housing.

As of 2013, about 475,000 lower income Minnesota households (annual income less than \$50,000) were cost burdened by their housing payments (accounting for more than 30% of their income.) This represents 57% of all lower-income households in the state. How should the Agency use its limited resources as effectively as possible to address this large and unmet need?

This will be a challenge because the number and percentage of all households that are cost-burdened has increased over the last 13 years and only shown signs of declining in recent years. This has occurred as median incomes (adjusted for inflation) have declined and housing costs have fluctuated but increased overall.

Key Theme & Trends (continued)

2. The economic and housing recoveries are expected to continue

- The slow but steady decline in the national unemployment rate should continue.
- Foreclosures and distressed home sales are subsiding significantly.
- Home values and prices should continue to increase after bottoming out in 2011.
- Fewer home mortgages are underwater (negative equity).
- Rental vacancy rates are low, pushing up rents.

3. Future cost-burden numbers will depend on the relative sizes of the housing cost and income changes

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In 2008, the housing bubble burst, leading to dramatic declines in home values and prices. Prices stayed depressed through 2011. The resulting financial crisis sent the economy into the Great Recession. While the economy started to recovery very slowly in 2009, the housing market really didn't start to recover until 2012 and gained momentum in 2013 and 2014.

The economic and housing recoveries are continuing.

- The unemployment rate in Minnesota declined from 8.3% in June 2009 to 3.6% in December 2014. Employment should increase (and hopefully earnings of lower-income households) as forecasters expect the national unemployment rate to decrease through at least 2018.
- The share of mortgages in Minnesota that are 60+ days past due or in foreclosure declined from 8.14% in the 4th quarter of 2009 to 2.98% in the 3rd quarter of 2014, resulting in far fewer distressed sales of homes.
- Median home prices (inflation adjusted) in the Twin Cities metro area increased from \$169,000 in June of 2011 to \$216,000 in June of 2014. (Seasonally, June has the highest prices in each year.) The months supply of homes for sale (a measure of inventory relative to the pace of sales) is currently below five months, indicating that a limited supply will continue to push prices up in the Twin Cities. The inventory is about 5 months statewide, indicating less upward pressure in Greater Minnesota
- With higher home values, the share of Minnesota mortgages that are underwater (the current amount owned on the mortgage is greater than the home value) has declined from 18.4% in 2011 to 7.2% now.
- The rental vacancy rate in the Twin Cities metro area dropped from 7.3% in the 4th quarter of 2009 to 2.3% in the 3rd quarter of 2011 and is currently at 2.9%. These low rates are pushing up rents.

Future cost-burden numbers will depend on the relative sizes of housing cost and income changes.

- If incomes do not keep pace with costs, the cost-burden number will increase, reflecting a growing need for affordable housing.

Key Themes & Trends (continued)

4. **With a stronger economy, new households are forming, increasing demand for housing**
 - Primarily on the rental side (until just recently), resulting in a declining homeownership rate
 - Has the rate finally stabilized?
5. **The strengthening economy and growing number of jobs has increased the need for affordable workforce housing**
 - Most of the rental need falls within the program parameters of the Agency's Challenge program.
6. **Minnesota is becoming more diverse, but disparities in homeownership are significant**
 - Households of color are more likely to rent.
 - MN has the third highest homeownership disparity in the country.

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With a stronger economy, new households are forming, increasing the demand for housing.

However, until recently, the increased demand has largely been in the rental market. While the number of households renting has steadily increased over the last few years, the number of households owning has declined. Has Minnesota's homeownership rate finally stabilized? An assessment later in this report will provide information about factors pushing the rate up and others pushing it down.

The strengthening economy and growing number of jobs has increased the need for affordable workforce housing.

- To increase the vacancy rate from 2.5% to 4-5% and create a more balanced rental market, 77 workforce housing communities in Minnesota need an additional 4,500 to 7,500 apartments.
- The vast majority of this need falls within the program parameters of the Agency's Challenge program, which is the primary program used to finance workforce housing.
 - In most of the communities, over 90% of new hires have wages within the program limits
 - In most of these communities, the median household income for renters is more than \$25,000 less than the program limits.

Minnesota is becoming more diverse, but disparities in homeownership are significant.

Minnesota's 35.4 percentage point disparity in homeownership rates between white/non-Hispanic households and households of color is the third largest in the country.

Key Themes & Trends (continued)

7. Homelessness is increasing, but there are areas of improvement

- Making progress with veteran and chronic homelessness
- More is needed for youth and families

8. The aging baby boom generation will create new housing needs and challenges

- Initially, homeownership needs will be important:
 - Most low-income seniors are homeowners,
 - Most seniors remain homeowners through ages 75-84, and
 - The largest group of baby boomers are still under age 60.
- Need to plan for increased rental needs

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A worst-case scenario resulting from a lack of affordable housing is homelessness.

Homelessness is increasing, but there are areas of improvement.

While the number of people experiencing homelessness has increased in recent years with the sluggish economic recovery (people experiencing or at-risk of homeless are often the last to feel the benefits of a recovering economy), progress has been made in reducing the number of veterans who are homeless and the number of people experiencing chronic homelessness. Additional emphasis needs to be placed on youth and families. The state's Plan to Prevent and End Homelessness is carrying out a broad range of strategies to tackle the problem.

A major demographic trend is the aging of the population.

The aging baby boom generation will create new housing needs and challenges.

With fixed-incomes and higher rates of disabilities, seniors have unique affordable housing needs. Initially, assisting lower-income baby boomers who are homeowners will be important as they move through the earlier phases of retirement:

- Most low-income seniors are homeowners.
- Most seniors remain homeowners through age 75-84.
- The largest group of baby boomers is still under age 60, indicating that most will likely be homeowners for at least another 15+ years.

Nevertheless, the state will see a dramatic increase in senior renters in the future, for which Minnesota Housing needs to carefully plan.

Key Themes & Trends (continued)

9. Minnesota has an aging housing stock

- In many communities in southern, western, and northeastern Minnesota over half of the housing stock is more than 50 years old.
- Minnesota has nearly 40,000 federally-subsidized rental units (e.g., Section 8 and USDA Rural Development Section 515); often 35+ years old with capital needs and limited financial reserves.

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Minnesota has an aging housing stock.

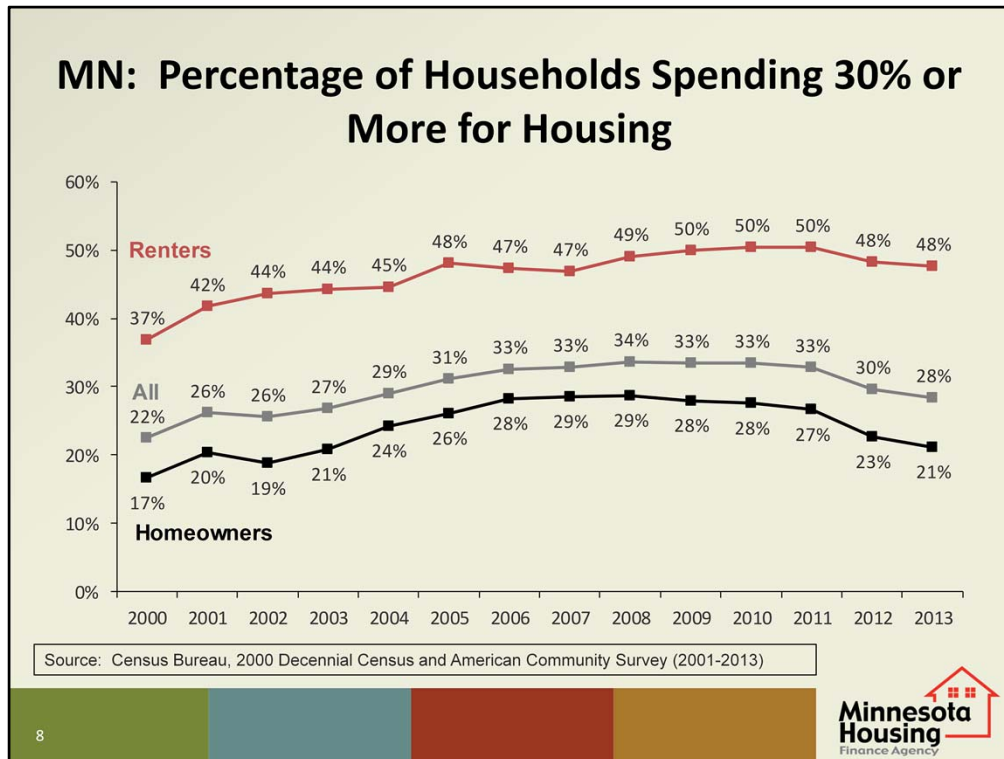
While additional affordable housing is needed, the state needs to preserve what it already has. Properties that receive rent subsidies (limiting a tenant's share of rent to 30% of their income) are particularly important to preserve.

Theme/Trend #1

Minnesota Needs More Affordable Housing

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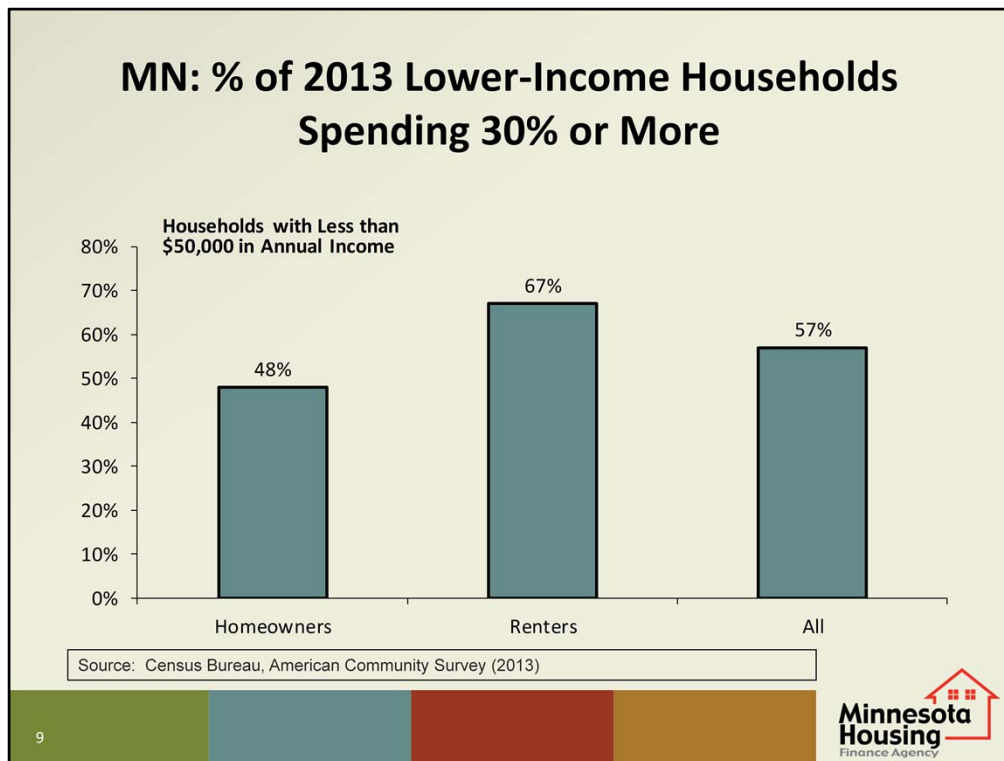
This graph shows the percentage of households that were cost burdened over the last 14 years (spending more than 30% of their income on housing). Being cost burdened indicates that a household lacks affordable housing.

Key Points:

- The share of all households that are cost burdened (middle gray line) increased from 22% in 2000 to 34% in 2008. The rate leveled off at 33% and dropped to 28% in 2013.
- The share of renters (top red line) increased from 37% to 50%, again leveling off. It dropped to 48% in 2012 and 2013.
- The share of homeowners (bottom black line) increased from 17% in 2000 to 29% in 2008. The rate fell to 21% by 2013.

Implications:

- Since 2000, the need for more affordable housing has increased.
- Starting in 2012, there was a noticeable improvement. As the following slides will show, the improvement was partially attributable to higher incomes in 2012 and 2013.
- On the homeownership cost side, lower home prices and interest rates helped alleviate the situation significantly. New homeowners obviously benefited with lower home prices, but existing homeowners also had the opportunity to refinance to the lower-interest rates and reduce their housing payments.
- The cost-burden situation is more severe for renters.
- Key Questions: Will the improvement continue beyond 2012 and 2013? Will incomes for households in the bottom half of the income range rise with the improving economy? Will rising incomes keep pace with rising housing costs?



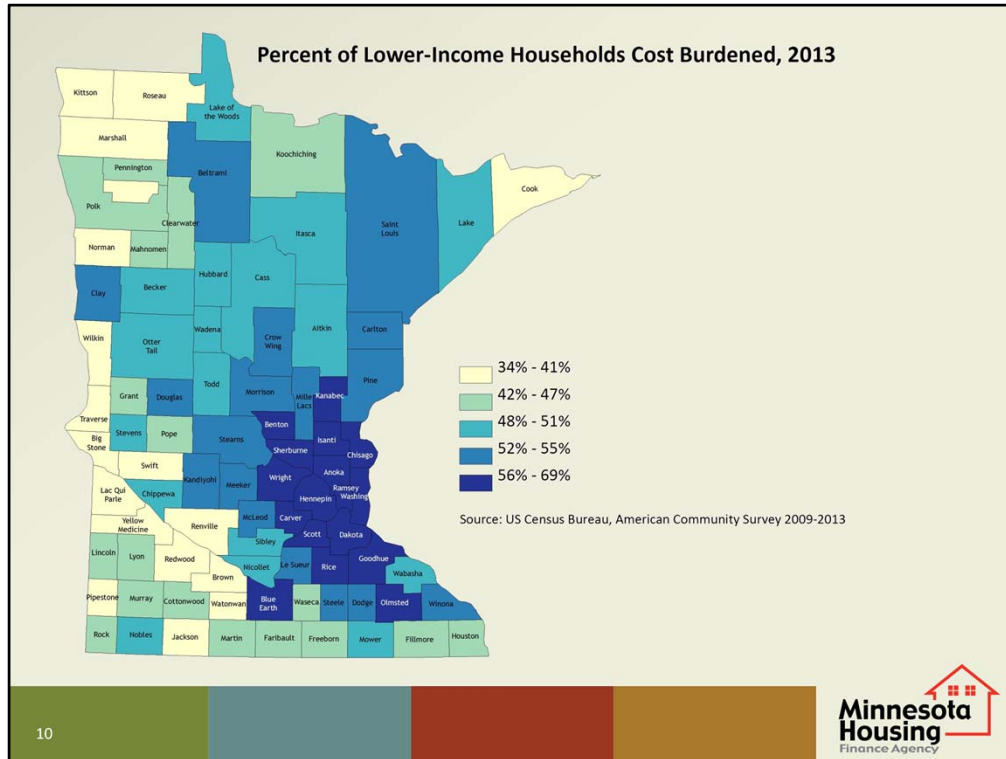
While the previous graph showed the percentage of all households that were cost burdened, this graph shows the percentage of lower-income households that were cost burdened in 2013. For this assessment, we define lower-income as households with an income less than \$50,000, which is roughly 60% to 100% of area median income (AMI) depending on the county.

Key Points:

- The need for more affordable housing is very large, especially for lower-income households.
- 67% of lower-income renters are cost burdened.

Implications:

- The Agency does critical work, and it must be as strategic and effective as possible.
 - There are about 475,000 lower-income households in Minnesota that are cost burdened.
 - In 2014, the Agency assisted over 59,000 households. While this is a large and impressive number, it is not large enough to meet the need.



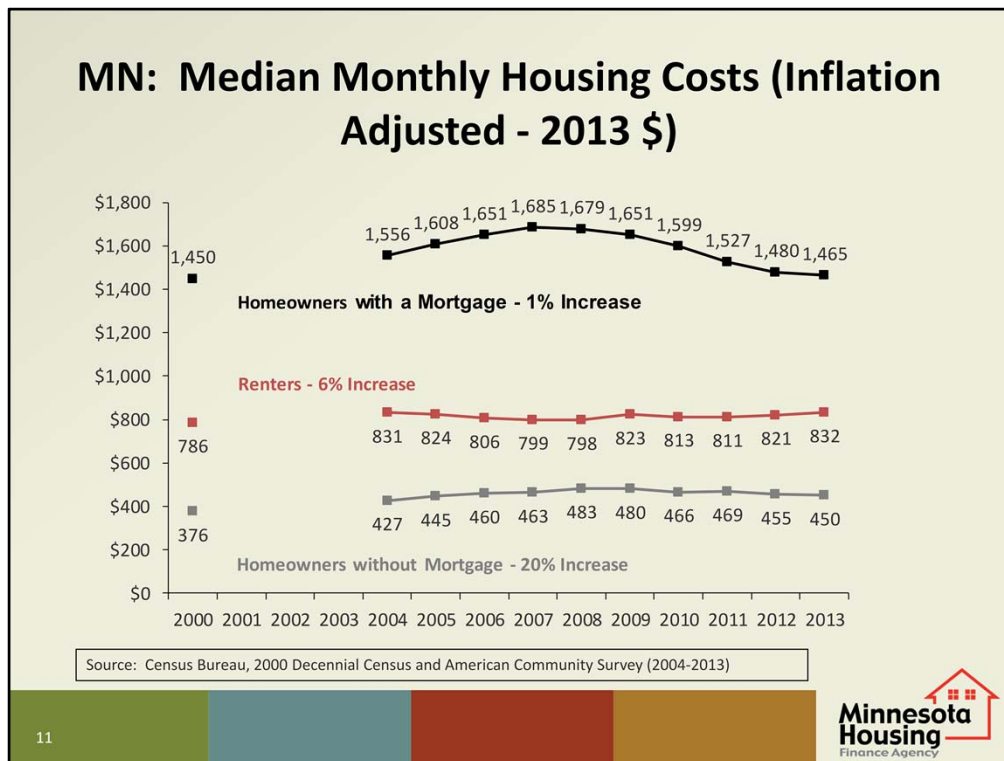
This map shows the percentage of lower-income households (annual income less than \$50,000) that are cost burdened by county.

Key Points:

- The percentage varies from 34% to 69 %.
- The highest percentages are generally in the metro area and surrounding communities, and the lowest percentages are generally in the western part of the state.
- Even the county with the lowest percentage has 34% cost burdened.

Implications:

- While the need for more affordable housing is substantial across the entire state, the level varies.



Cost burden is a function of a household's housing costs in relation to its income. To understand trends in cost-burden percentages, we need to understand the trends in each component. This graph shows the median monthly housing costs for renters and homeowners.

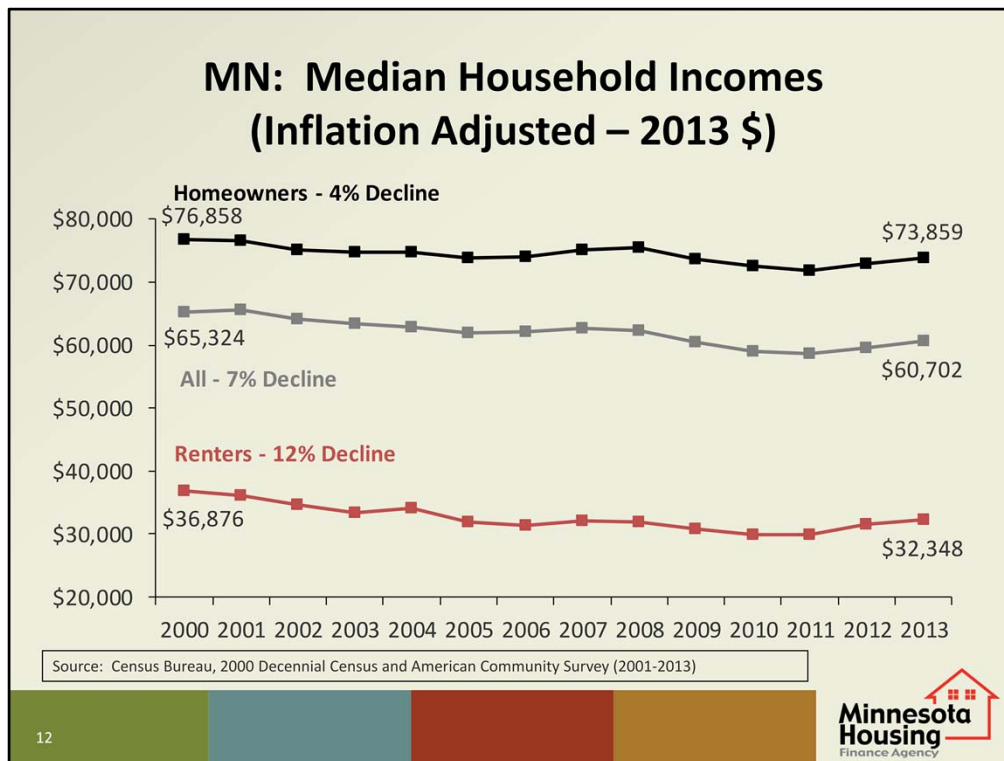
Key Points:

- Renters' costs increased by 6% since 2000 (after controlling for inflation). This masks shorter-term trends during the decade. Statewide, the median rent rose from \$786 per month in 2000 to \$831 in 2004, fell to \$798 in 2008, and has since risen to \$832.
- Costs for homeowners with a mortgage increased just 1%. Again, this masks an even more dramatic shift during that period. The median monthly cost increased from \$1,450 in 2000 to \$1,685 in 2007 and then fell to \$1,465 by 2013. This trend mirrors a decline in home sale prices and interest rates, which we'll examine later. As a preview, home sales prices are now increasing after bottoming out in 2011/12. Interest rates are still at very low levels.
- Costs for homeowners without a mortgage increased the most (20%). These higher costs reflect higher property taxes and insurance premiums. Many of these homeowners are seniors who have paid off their mortgages, which is an important point to keep in mind when examining housing for seniors.

Implications:

What can Minnesota Housing do to reduce housing costs? Options include:

- Offering mortgages at the lowest interest rates possible.
- Increasing the supply of affordable rental housing.



Falling incomes are a key contributor to the rising rate of cost-burdened households.

This graph shows the median household incomes over the past 12 years.

Key Points:

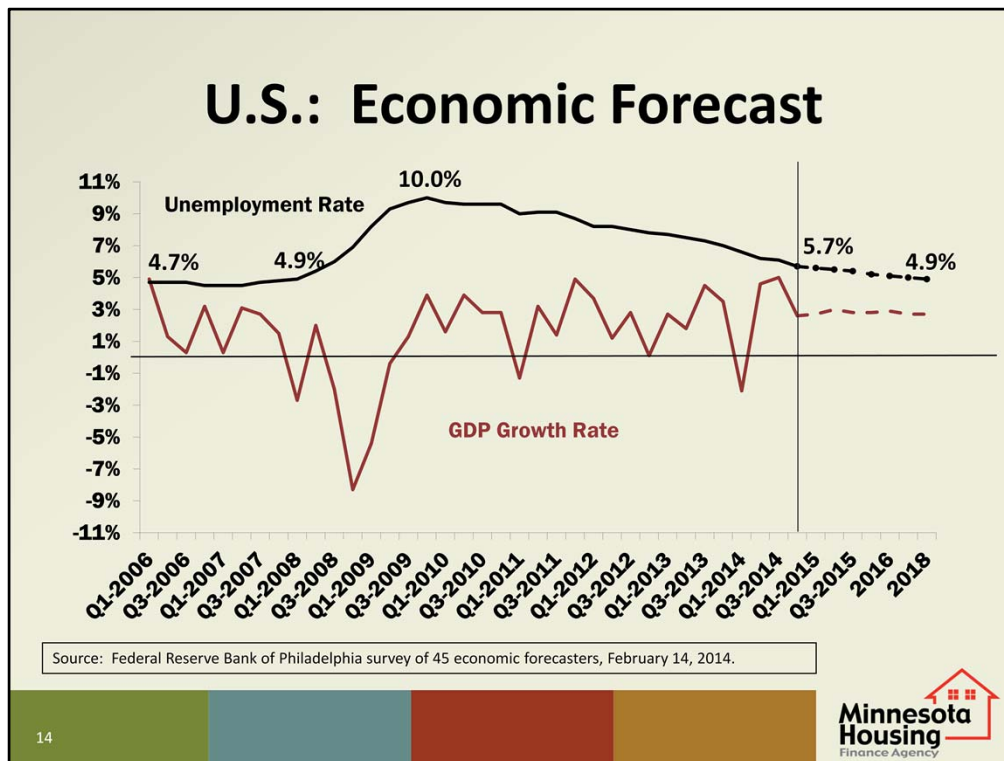
- Renter incomes fell 12% after controlling for inflation.
- Homeowner incomes fell 4%.
- With the strengthening economy, incomes increased in 2012 and 2013.

Implications:

- While Minnesota Housing is not a workforce development agency tasked with increasing household incomes, falling incomes play a key role in the environment in which the Agency finances affordable housing, making the Agency's task more challenging.
- Nevertheless, stable and affordable housing in location-efficient communities (providing access to transit, jobs, services, amenities, good schools, etc.) can contribute to the economic success of low- and moderate-income households.
- Key Question: Will the improvement in incomes continue beyond 2012 and 2013 and benefit lower-income households?

Theme/Trend #2a

**The Economic Recovery is
Expected to Continue**



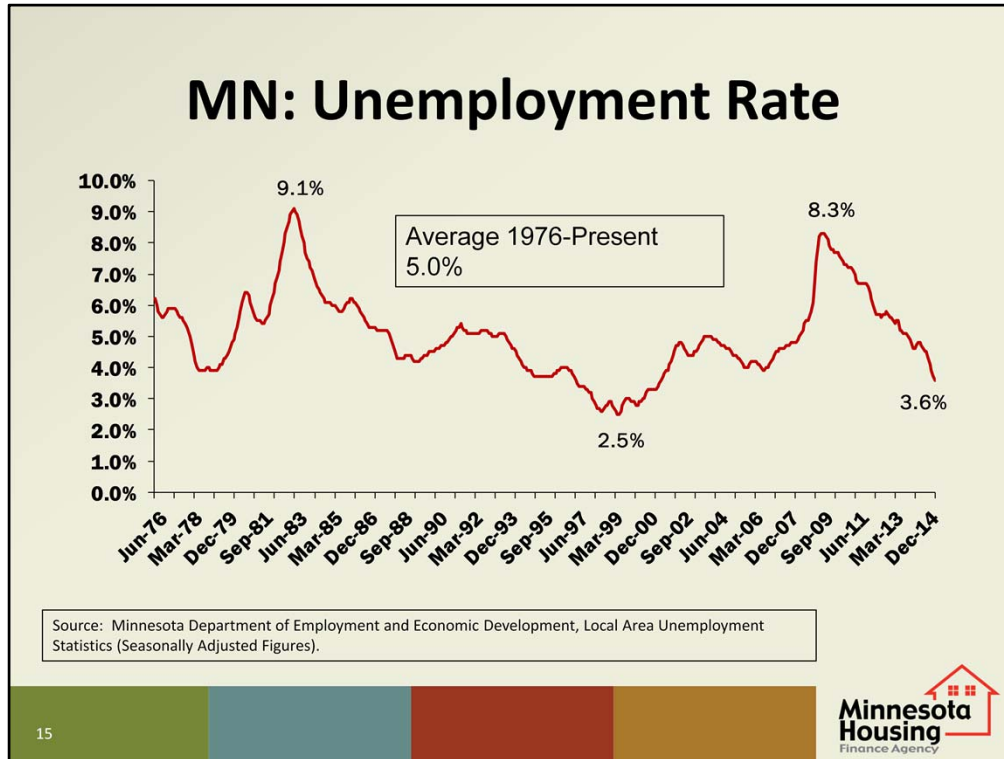
This graph shows the state of the U.S. economy since 2006. It shows the growth rate of the overall economy (as measured by Gross Domestic Product or GDP) and the unemployment rate. The solid lines on the left side of the graph are actual rates through the 4th quarter of 2014. The dashed lines on the right represent a forecast developed by the Federal Reserve Bank of Philadelphia, based on a survey of 39 economic forecasters.

Key Points:

- The economy bottomed out during the 4th quarter of 2008 with an annualized decline in the U.S. GDP of 8.3%, which led to an unemployment rate that reached 10%.
- Since World War II, the average growth rate in GDP in the year following the end of a recession has been 6.8%. After the end of this most recent recession, the growth rate was only 3%, which is insufficient to quickly bring back the lost jobs. In addition, there was inconsistent growth after that. Thus, the country had a slow recovery in employment.
- The forecast indicates that the U.S. unemployment rate will drop below 5% in 2018 for the first time since the first quarter of 2008.

Implications:

- The economy should continue to recover.
- A stronger economy typically:
 - Increases incomes,
 - Increases the number of households being formed as people stop doubling up and living with their parents,
 - Puts downward pressure on rental vacancy rates and months supply of homes for sale as additional households form, which leads to higher housing prices.
- Key Question: Will the recovery be widespread enough to benefit lower-income households?



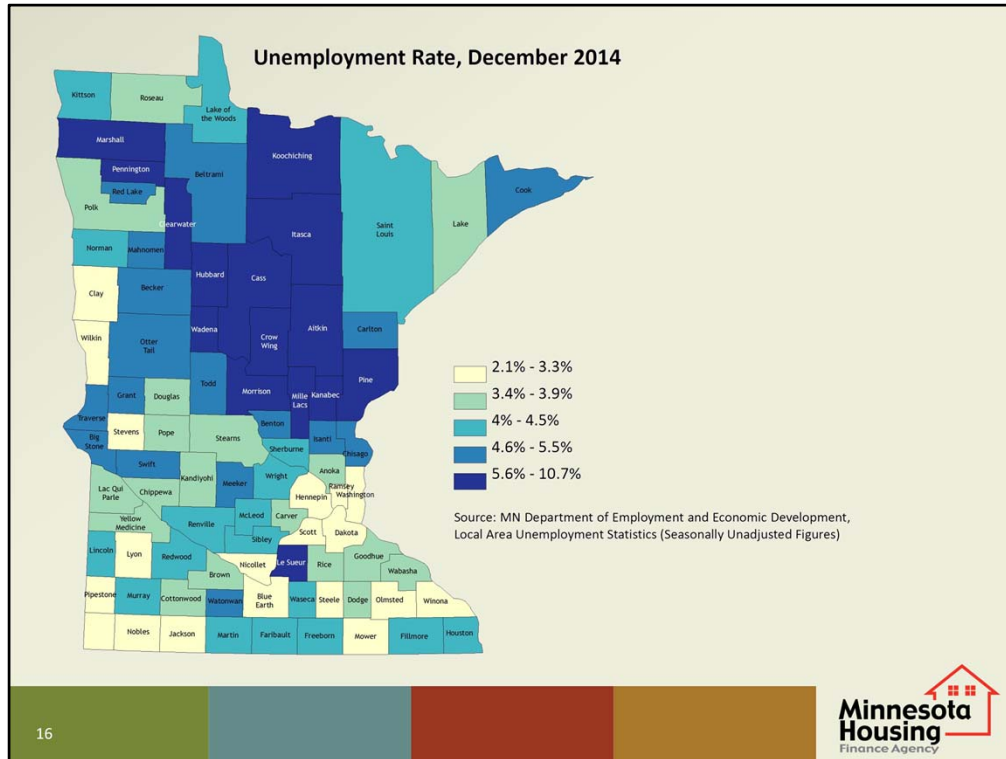
This map shows the unemployment rate in Minnesota.

Key Points:

- The employment situation is better in Minnesota than nationally.
- While the Great Recession peak was 8.3%, the current rate is down to 3.6%, which is below the historical average.

Implications:

- As the U.S. employment situation improves, how much more can Minnesota's economy and employment picture improve?



This map shows the unemployment rate in each county.

Key Points:

- The unemployment picture varies quite dramatically around the state – unemployment rate ranging from 2.1% to 10.7%, with the highest rates in north central Minnesota and the lowest in the metro area and southern and western Minnesota.

Implications:

- Minnesota is not monolithic. Different parts of the state have very different economic conditions and housing needs.
- Some parts of the state have significant room for improvement.

Change in Number of Jobs and Wages in MN 2006-2009

Industry	2006 Jobs	2009 Jobs	Change in Jobs 2006-2009	Average Weekly wage 2009
Financial Activities	179,628	171,550	(8,078)	\$ 1,310
Professional and Business Services	324,899	310,420	(14,479)	\$ 1,195
Information	61,891	58,756	(3,135)	\$ 1,128
Manufacturing	346,181	300,222	(45,959)	\$ 1,031
Construction	134,416	100,829	(33,587)	\$ 1,008
Public Administration	120,327	123,859	3,532	\$ 929
Education and Health Services	589,875	630,942	41,067	\$ 819
Unclassified		106	106	\$ 771
Trade, Transportation and Utilities	547,715	514,784	(32,931)	\$ 764
Natural Resources and Mining	22,561	22,717	156	\$ 680
Other Services	87,943	83,645	(4,298)	\$ 512
Leisure and Hospitality	261,150	254,609	(6,541)	\$ 327
Total, All Industries	2,676,586	2,572,439	(104,147)	\$ 871

Source: Minnesota Department of Employment and Economic Development, *Quarterly Census of Employment and Wages*.



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When examining job losses and gains, it is useful to look at the types of jobs being gained and lost and their wages.

This table shows the number of jobs lost between 2006 and 2009 (the economic downturn) by industry. The industries are organized from highest to lowest in 2009 average weekly wage.

Key Points:


- All five of the industries that paid more than \$1,000 per week lost jobs. Combined, these five industries lost over 105,000 jobs.
- Four of the seven industries that paid less than \$1,000 per week gained jobs. Combined these seven industries gained just over 1,000 jobs.
- Not only did the state lose over 104,000 jobs; the losses were concentrated in the higher paying industries.

Change in Number of Jobs and Wages in MN 2009-2014

Industry	2009 Jobs	2014 Jobs	Change in Jobs 2009-2014	Average Weekly wage 2014
Financial Activities	171,550	176,154	4,604	\$ 1,649
Professional and Business Services	310,420	353,377	42,957	\$ 1,363
Information	58,756	56,398	(2,358)	\$ 1,296
Manufacturing	300,222	310,962	10,740	\$ 1,163
Construction	100,829	112,894	12,065	\$ 1,093
Public Administration	123,859	126,260	2,401	\$ 975
Education and Health Services	630,942	667,368	36,426	\$ 884
Trade, Transportation and Utilities	514,784	527,650	12,866	\$ 859
Natural Resources and Mining	22,717	26,528	3,811	\$ 861
Unclassified	106	NA	NA	NA
Other Services	83,645	87,318	3,673	\$ 566
Leisure and Hospitality	254,609	271,448	16,839	\$ 359
Total, All Industries	2,572,442	2,716,361	143,919	\$ 982

Source: Minnesota Department of Employment and Economic Development ,*Quarterly Census of Employment and Wages*. Note: 2014 data are average of first three quarters.

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 Minnesota Housing Finance Agency

This table shows the jobs that have been gained since 2009.

Key Points:

- Between 2009 and 2014, the state recovered all the jobs it lost between 2006 and 2009.
- However, the recovery has been more evenly spread out among the industries than the losses were between 2006 and 2009. As a result, the higher paying industries as group have not recovered the jobs that they lost between 2006 and 2009.
 - The five industries that pay more than \$1,000 per week gained about 68,000 jobs.
 - The seven industries that pay less than \$1,000 gained about 76,000 jobs.

Implications:

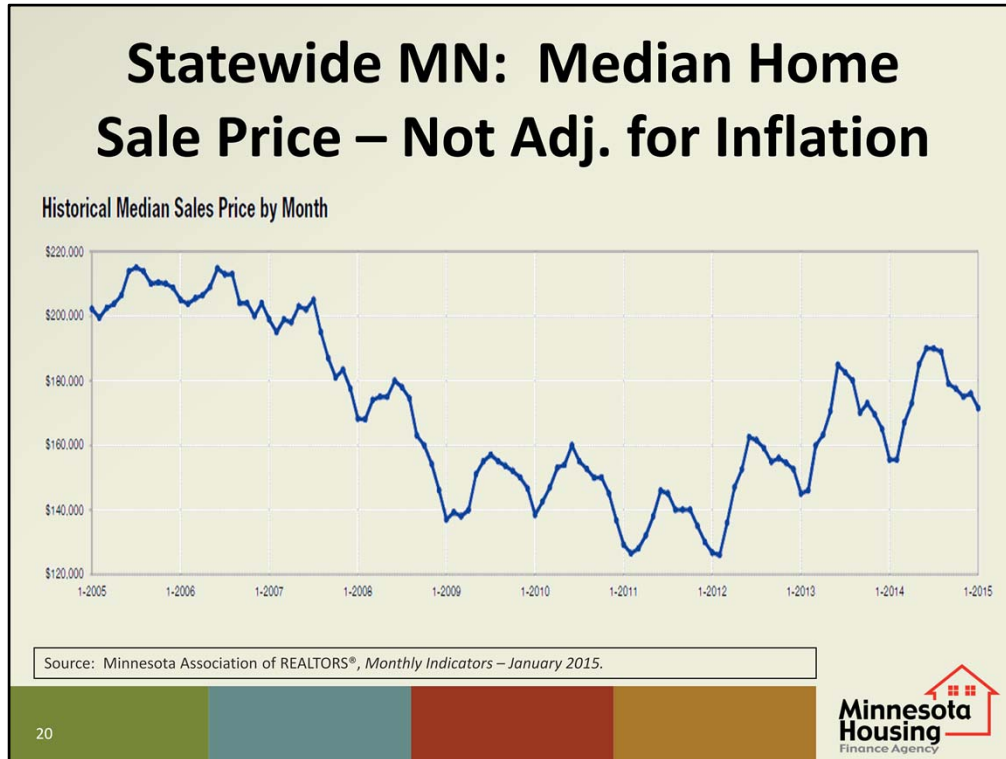
- It is good that the state recovered the jobs it lost during the recession; however, the jobs that were gained pay less than the ones that were lost. This helps explain why current median incomes are lower than their pre-recession levels.
- Key Question: As the economy continues to recover, what jobs will be created? Will low- and moderate-income Minnesotans benefit?

Data Note:

For 2014, the number of jobs reported are the averages for the first three quarters of the year. At the time this document was put together, data for the 4th quarter was not available. When all four quarters of data are available, the annual figure is the average for the four quarters. For 2014, as long as the 4th quarter numbers are not substantially different than the first three, the overall numbers will not change much.

Theme/Trend #2b

**The Housing Recovery is
Expected to Continue**



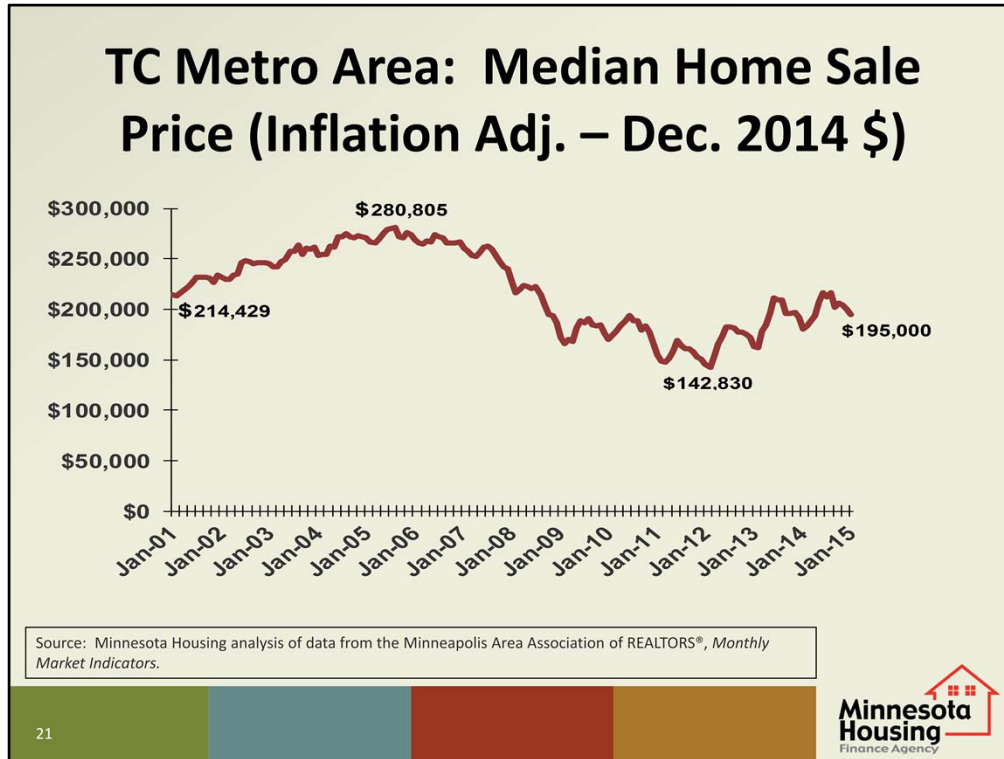
This graph shows the median sales price for homes in for the entire state, not controlling for inflation.

Key Points:

- Statewide, prices dropped significantly from 2006 through 2009 and struggled through 2011, when they bottomed out.
- Prices have been recovering since 2011.

Implications:

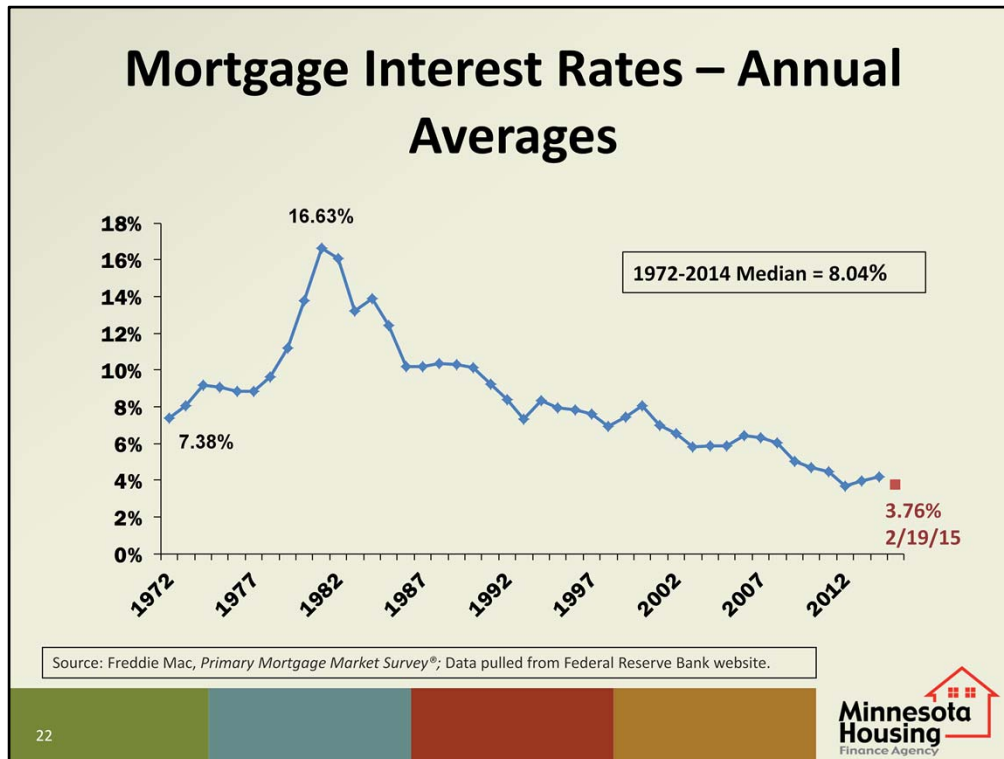
- On the one hand, rising property values help existing homeowners because they add equity and create wealth. This is particularly important for lower-income homeowners because their homes are often their primary asset.
- On the other hand, rising property values makes housing less affordable for people moving into homeownership.



This graph shows the median sales price for homes in the Twin Cities metro area. It is included as a separate graph because we have access to historical and electronic data from the Minneapolis Area Association of REALTORS and 10K Research. This allows us to carry out more detailed analyses, which includes controlling for inflation.

Key Points:

- The pattern in the Twin Cities metro area is similar to the statewide pattern.
- The data available for the metro area also shows the rapid increase in prices that created the housing bubble.
- By controlling for inflation, this graph shows the longer way the market has to recover when factoring in the declining value of a dollar over time.



Interest rates also play a key role in housing costs and affordability. The very low interest rates over the last few years have increased affordability and helped the housing market recover by encouraging home buying.

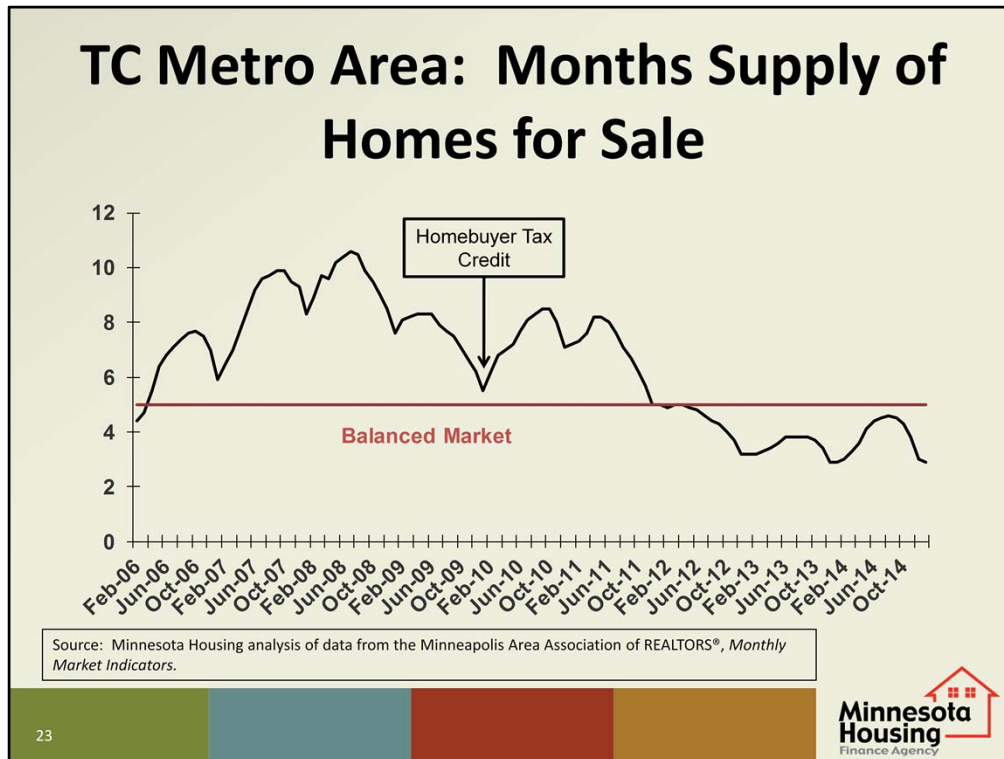
This graph shows mortgage interest rates since 1972.

Key Points:

- During this period, the median annual rate was 8.04%.
- The peak rate occurred in 1981 (16.63%).
- In recent years, the rates have reached their lowest levels, at or below 4%.

Implications:

The current rates, which are very low in historical terms, are making homeownership more affordable. This is a great time for people to buy a home.



As shown in an earlier slide, home prices bottomed out in 2011 and are starting to rise. One of the best indicators of home price trends is the months supply of homes for sale, which is a combination of the current inventory and how fast homes are currently selling. It measures how long it would take to clear the current inventory of homes for sale. Generally, if the inventory is more than five months, it is buyer's market; if the inventory is less than five months, it is a seller's market and prices are rising.

This graph shows the months supply of homes for sale since 2006 in the Twin Cities metro area.

Key Points:

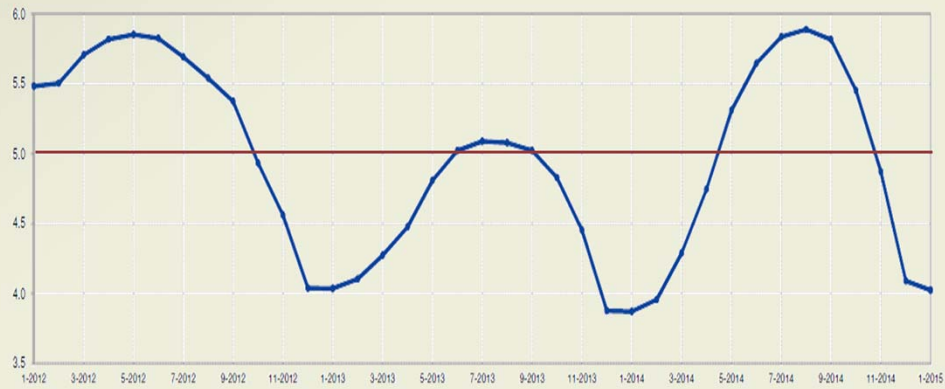
- This graph starts when the housing market started to decline (prices peaked in 2006). In the first part of the graph, the months supply of homes for sale is above five.
- In January 2010, the inventory approached five months with the homebuyer tax credit (part of the federal government's stimulus plan to jump start the housing market).
- The inventory has been below five months since May of 2012, indicating a seller's market and rising prices.

Implications:

- As long as the inventory stays below five months, prices should continue to rise.
- In addition, the Federal Reserve Bank of Philadelphia's survey of professional forecasters indicates that the nationwide S&P/Case-Schiller home price index is expected to increase by 4.5% in 2015 and 4.0% in 2016. (Quarter 1 - 2015 forecast)

Statewide MN: Months Supply of Homes for Sale

Historical Months Supply of Inventory by Month



Source: Minnesota Association of REALTORS®, *Monthly Indicators* – January 2015.



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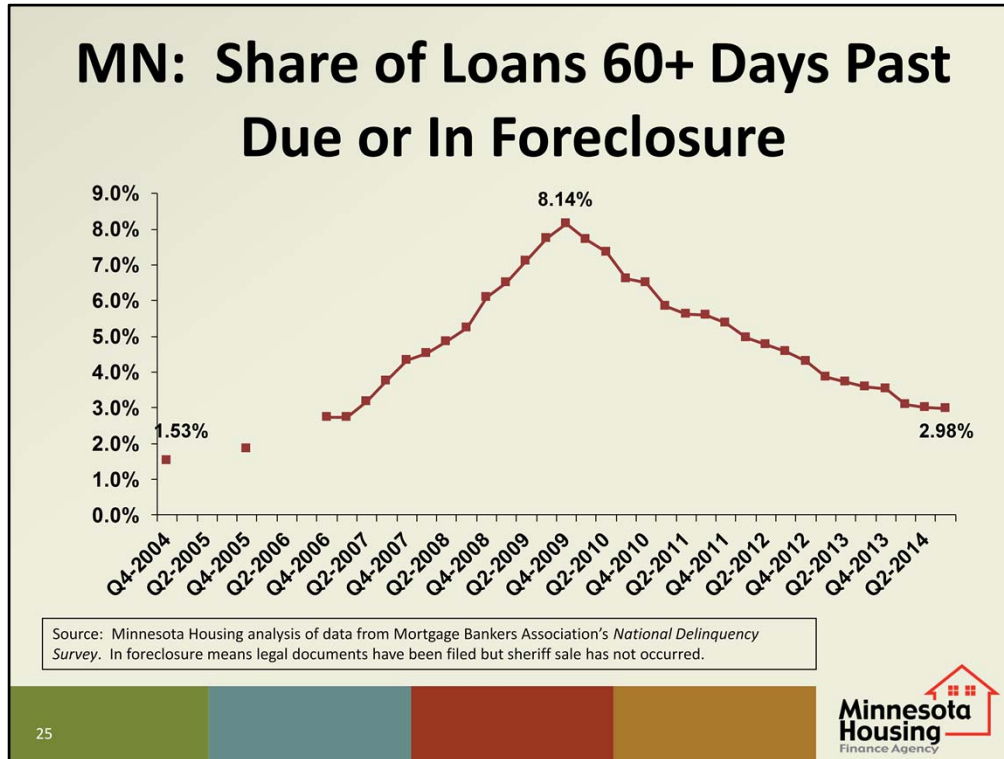
This graph is the same as the previous slide, but covers the entire state.

Key Points:

- Statewide, the inventory has been closer to five months than the inventory in the metro area in recent months.

Implications:

- In aggregate, Greater Minnesota may not see home price increases as large as the metro area, but there will be differences in individual markets.



The stronger economy and housing market have alleviated the foreclosure crisis.

This graph shows the share of mortgages approaching a sheriff sale in the foreclosure process. It captures loans that are 60 or more days past due, including loans that have started the foreclosure process (legal documents filed) but have not yet reached a sheriff sale.

Key Points:

- While the rate of troubled loans has declined significantly in recent years (from 8.14% to 2.98% of loans), the rate is still a little high from a historical perspective. The rate was 1.53% in the 4th quarter of 2004.

Implications:

- The pipeline of loans moving toward foreclosure is shrinking, which is contributing to a recovering housing market.
- As this pipeline continues to shrink, Minnesota Housing's foreclosure focus has shifted from prevention to recovery.
- Nevertheless, prevention is the most cost-effective strategy. Thus, prevention and foreclosure counseling will remain important.

Underwater Mortgages

Year and Quarter	Share of MN Mortgages with Negative Equity
2009-Q4	16.6%
2010-Q4	15.9%
2011-Q4	18.4%
2012-Q4	16.4%
2013-Q1	17.5%
2013-Q2	12.6%
2013-Q3	9.6%
2013-Q4	9.9%
2014-Q1	9.7%
2014-Q2	7.8%
2014-Q3	7.2%

SOURCE: CoreLogic's Equity Reports – publicly available on the internet.

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A key benefit of a recovering housing market and rising home values is fewer homeowners being underwater with their mortgages (owing more on their mortgage than their home is worth).

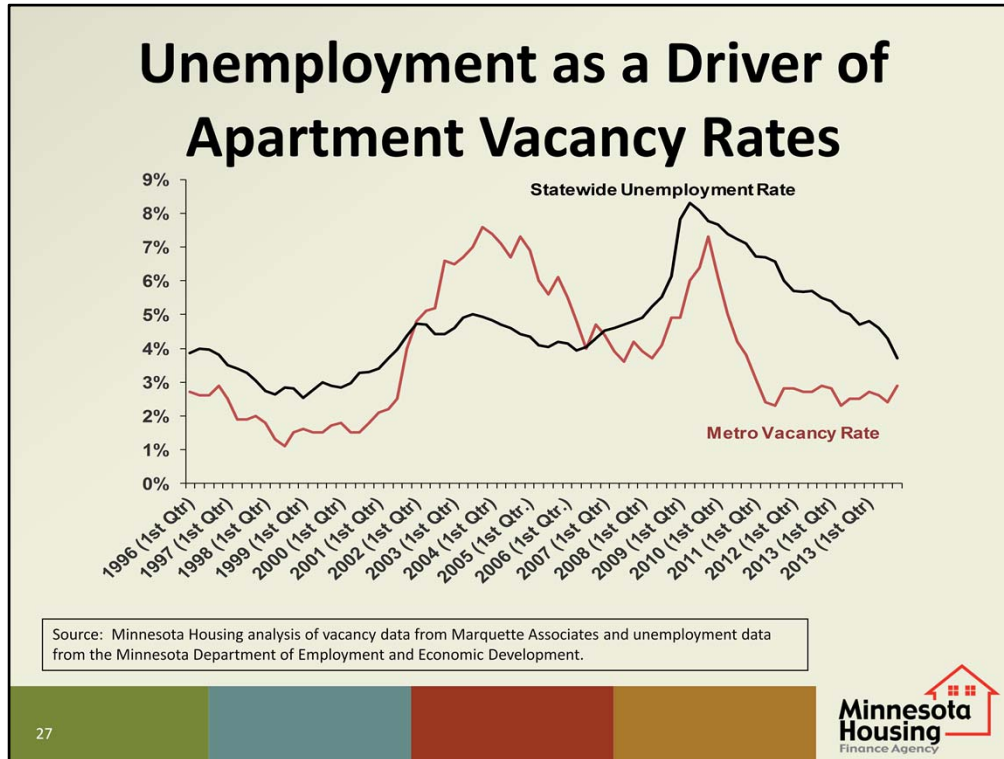
Key Points:

- After fluctuating between 16% and 18% between 2009 and 2012, the share of mortgages that are underwater declined to 7.2% by the 3rd quarter of 2014. This corresponds with the stronger market and prices since 2013.

Implications:

With fewer underwater mortgages:

- The supply of homes for sale may increase as homeowners, who were previously trapped in their underwater mortgages, are able to put their homes on the market.
- It will be easier for homeowners to get home improvement loans because they will now have the equity in their homes to use as collateral. This will help maintain and improve the quality of the state's housing stock.
- Also, with improving values, homeowners have an incentive to maintain and improve their homes. They will be more likely to see a return on the investment, rather than a loss.



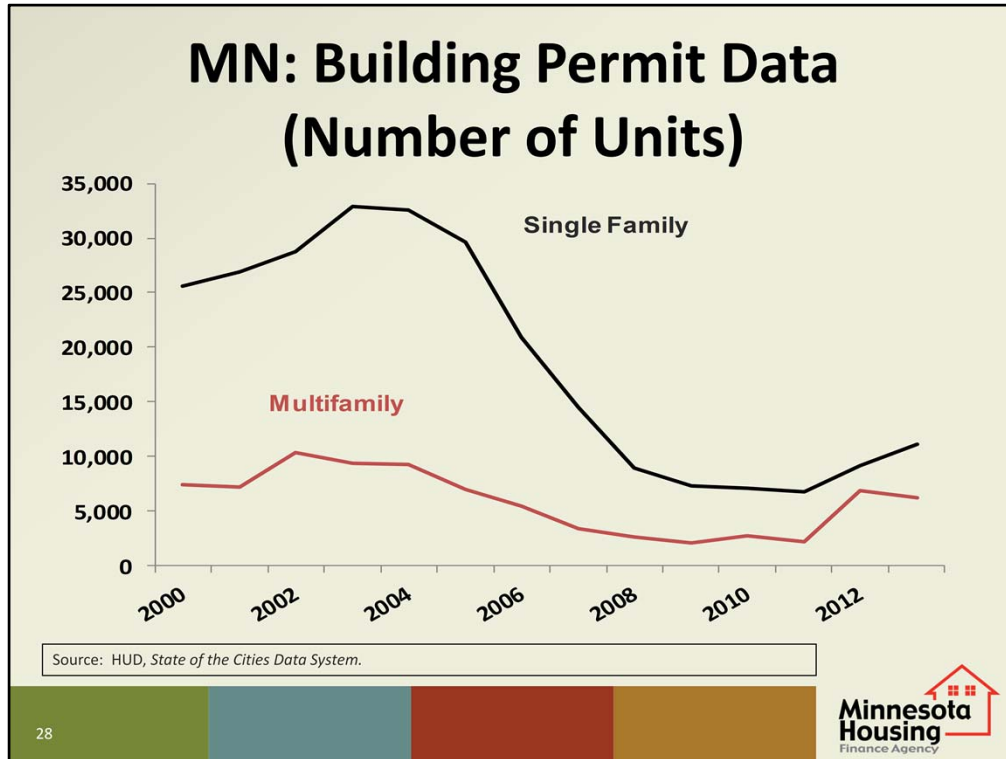
Switching to the rental market, this graph shows the relationship between unemployment and rental vacancy rates, which also indicate a recovering market.

Key Points:

- When the unemployment rate is low, the vacancy rate is low.
- When unemployment is high, the vacancy rate is high. With employment struggles, households double up and young adults stay home with their parents.
- The high unemployment rate during the Great Recession initially led to a high vacancy rate in 2009. Also, as the unemployment rate declined with the recovery, the vacancy rate declined. However, even though the unemployment rate initially remained on the high side (at or above 5%), vacancies fell to very low levels (around 2%). Two factors that will be examined contributed to this divergence in the unemployment and vacancy rates (see the far right side of the graph).
 - There was very little multifamily construction from 2007 through 2011, which limited the supply and decreased vacancies.
 - The homeownership rate has declined since 2006. A greater proportion of families are now renting, which increased demand and decreased vacancies.

Implications:

- With the current low vacancy rates, multifamily developers are now building more units. The multifamily sector is recovering.
- Looking into the future, there are a few competing trends. The strength of each will determine future vacancy rates.
 - An improving economy and employment picture will push or hold vacancies down as more households are formed and rent.
 - While the homeownership rate had been declining (reflecting a larger share of renters), it may have now stabilized, putting less downward pressure on the vacancy rate.
 - New multifamily rental units under construction will increase the supply and push the vacancy rate up.



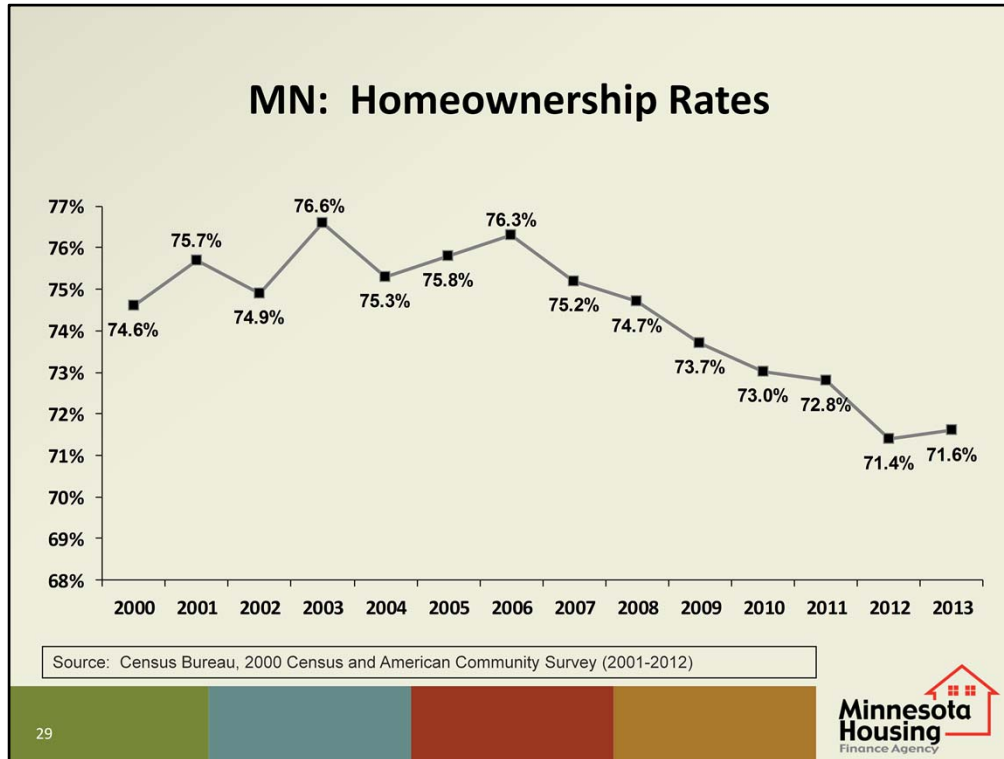
With the Great Recession and financial crisis, there was very little housing construction.

Key Points:

- The annual number of multifamily permits dropped from the 9,000-10,000 unit range in 2002-04 to the 2,000-3,000 range in 2008-11. The number increased to nearly 7,000 in 2012 and dropped to 6,200 in 2013. Data for 2014 is not yet available.
- The decline in single-family permits was even larger.

Implications

- The low level of multifamily construction between 2007 and 2011 limited the number of units that are currently available, which decreased the rental vacancy rate.
- With the low vacancy rates (reflecting a demand for new units), multifamily construction has picked up.



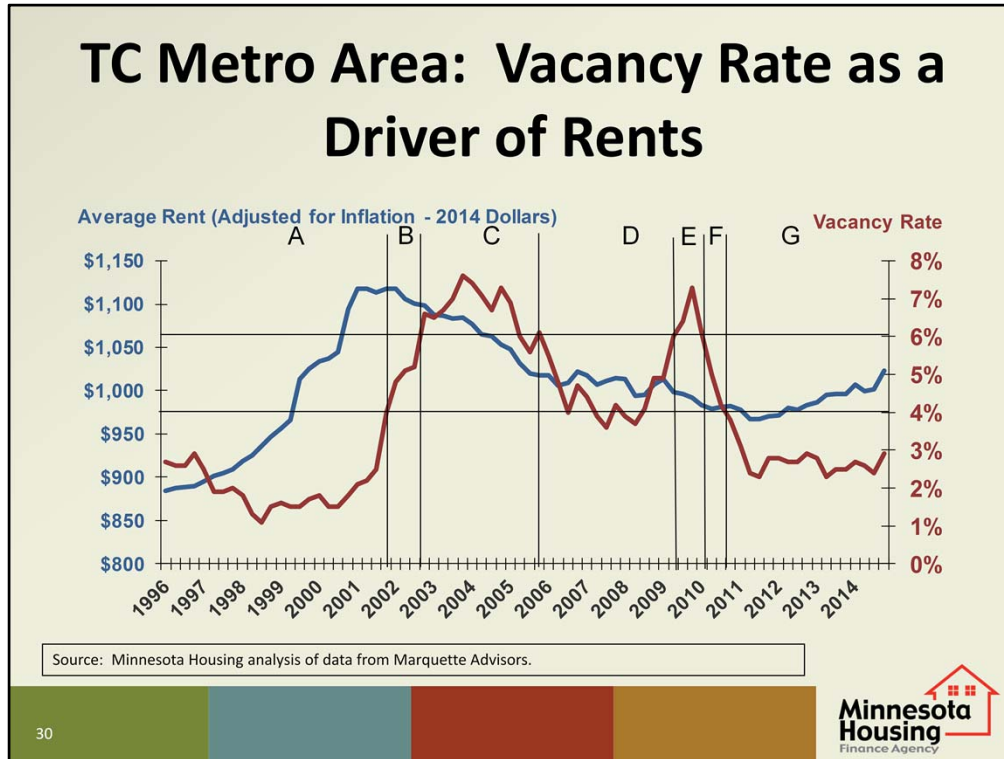
This graph shows the homeownership rate in Minnesota.

Key Points:

- The rate peaked in the 2003-06 period and declined through 2012.
- It increased for the first time in several years during 2013.
- The American Community Survey is based on a sample of Minnesota households and has a margin of error. The large decrease in 2012 may have been an overstatement. In analyses from earlier years, we talked about the homeownership rate leveling off at about 72%, which seems to be happening.

Implications:

- As mentioned earlier, the lower level of homeownership and higher level of renting in recent years has increased the demand for rental housing, which contributed to the low vacancy rates.



Previous graphs showed the effect of unemployment, construction, and the homeownership rate on vacancies. This graph shows the effect of vacancies on rents. To illustrate the relationship, the period from 1996 through 2014 is divided into seven sub-periods – A through G (see vertical lines). In addition, the vacancy rates are divided into three groups: (1) below 4%, (2) 4% to 6%, and (3) above 6% (see horizontal lines).

Key Points:

- When the vacancy rate is below 4%, rents generally rise (limited supply relative to demand).
- When the vacancy rate is above 6%, rents generally fall (extra supply relative to demand).
- Period A was a sustained period of vacancies below 4%, and rents rose.
- Period C was a sustained period of vacancies above 6%, and rents fell.
- Period D was a sustained period of vacancies between 4% and 6%, and rents were relatively flat.
- Period G has been a sustained period of vacancies below 4%, and rents are rising.

Implications:

- As long as vacancy rates stay below 4%, rents will likely rise.
- As discussed earlier, the vacancy rate will depend on the strength of the continuing economic recovery and job/household growth, the numbers of rental units added through new construction, and the rate at which people are renting rather than owning (the inverse of the homeownership rate).

Theme/Trend #3

Future cost-burden numbers will depend on the relative sizes of the housing cost and income changes

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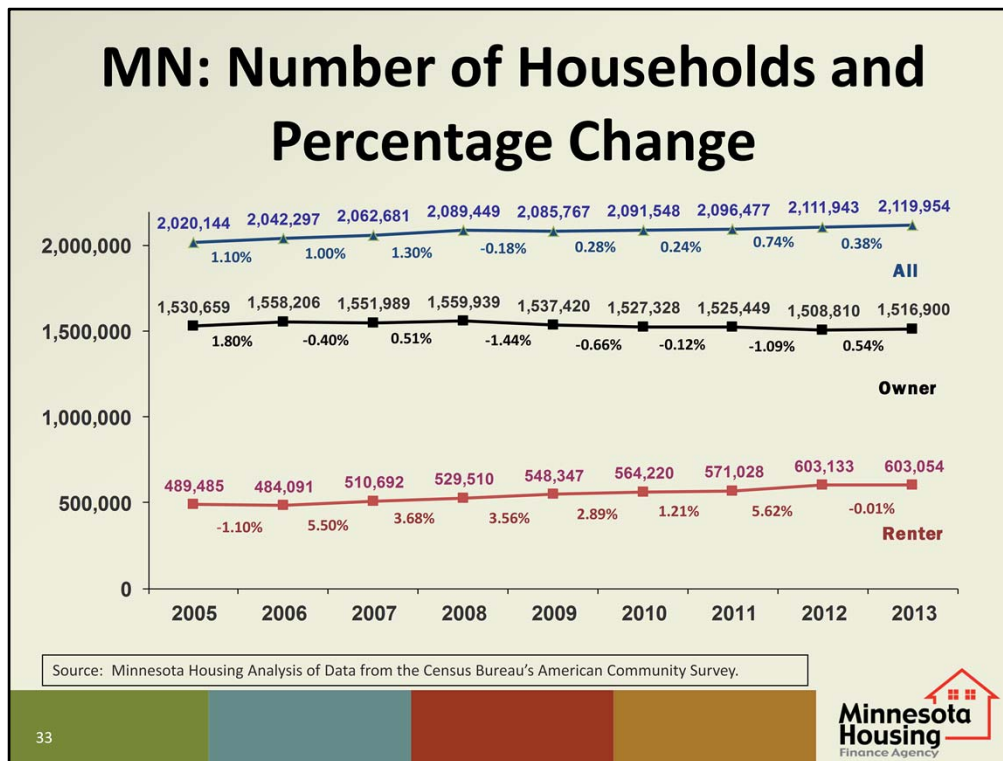


As the previous two sections have shown:

- The economy and jobs are recovering, which should help to increase incomes. However, this expansion needs to be wide spread and benefit low- and moderate-income households, not just higher-income households.
- With the improving economy and stronger housing market, home prices and rents are likely to rise.
- The number of cost-burdened households in the future will depend on the strengths of these trends. If incomes do not keep pace with costs, the number will increase.

Theme/Trend #4

**With a stronger economy,
household formation is
increasing, which is increasing
demand for housing**



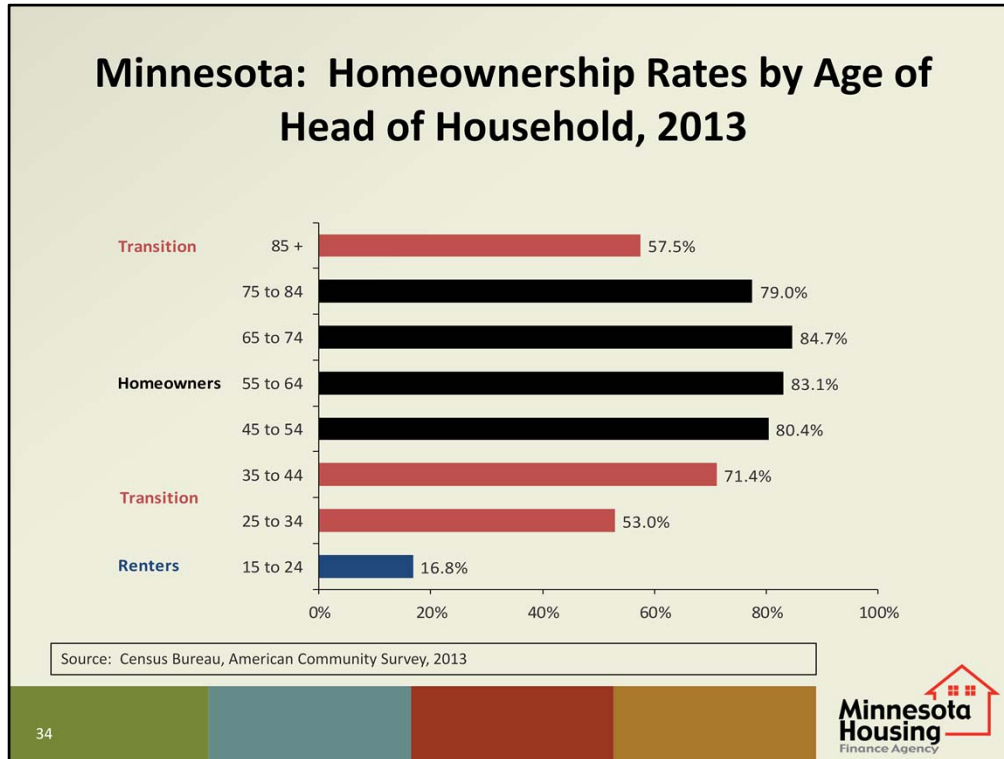
The formation of new households creates the demand for new housing. This graph shows the number of Minnesota households each year and the growth rate from the previous year.

Key Points:

- Economic growth and employment drive household formation. When the economy is weak and people lose their jobs, existing households double up to share housing costs and young adults live with their parents. When the economy is strong, households stop doubling up and young adults venture out on their own.
- In 2006, 2007, and 2008, the number of households was growing at a rate just over 1%. (See the top blue line.) As the economy went into the recession, the rate became negative in 2009. In 2010 and 2011, the number increased, but at a rate less than 0.50% per year. In 2012, the rate got closer to 1% with the stronger economy, but the increase slowed a bit in 2013.
- The graph shows an interesting interaction between owning versus renting.
 - The number of owner households increased by 1.8% between 2005 and 2006 as home buying and the market reached its peak. (See the middle black line.) The number leveled off in 2007 and 2008 as the market started to get into trouble. The number then declined in 2009 through 2012 as the bubble bust, but the rate of decline got smaller each year and almost reached an increase in 2011. However, in 2012, the number owning a home saw another larger decline, but then increased in 2013.
 - In contrast, the number of renter households declined between 2005 and 2006, but increased dramatically in 2007. (See the bottom red line.) From 2007 through 2011, the number of renter households was increasing, but at a slower rate each year. In 2012, there was another large increase, but followed by a very small decline in 2013.

Implications:

- The improving economy is leading to more households being formed, but primarily on the rental side.
- As the economy and housing market improved, a new balance in owning versus renting started to emerge between 2009 and 2011 with the homeownership rate leveling off and household growth rates for owners and renters converging to a similar rate. This trend got thrown off in 2012, but seems to be back in 2013.

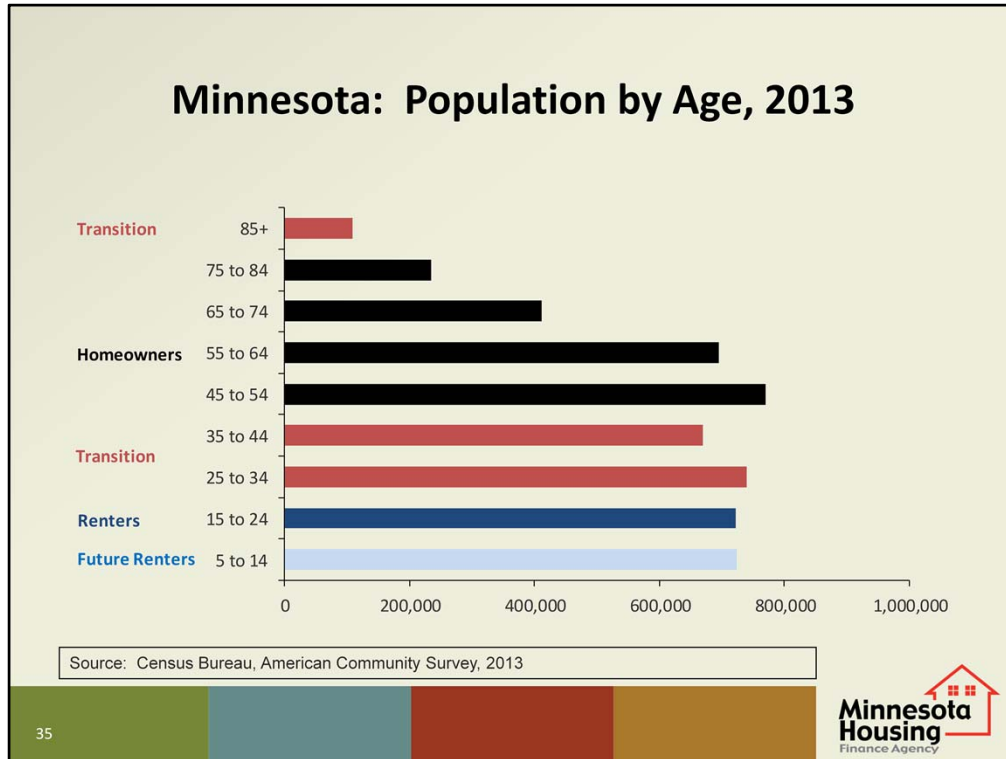


While the state of the home-buying market (affordability, underwriting standards, and expectations of price appreciation/depreciation) play key roles in the homeownership rate. A person's stage in life (often reflected by his or her age) plays another key role.

This graph shows the homeownership rate by age.

Key Points:

- Young single people who are in the less-stable and early stages of their careers and lives typically rent for affordability and flexibility reasons. (Ages 18-24 in this graph.)
- As families form and careers are established, households look for stability and transition to homeownership. (Ages in 25 to 44 in this graph.)
- From age 45 to 74, most households are in the homeownership stage of life.
- After households go through the initial phase of retirement, age, and start to face the struggles of independent living, they start to transition back to renting.



This graph shows the break out of Minnesota's 2013 population by age and the renter/owner phases.

Key Points:

- The largest age cohort is 45 to 54. This cohort has completely moved into the homeowner phase of life, which is one of the reasons the homeownership rate recently peaked.
- In addition, the smallest working-age cohorts (35-44 year olds, which is part of Generation X) is in the later transition phase, which is limiting the homeownership rate. Fewer people have transitioned into homeownership.
- Adult members of the Millennial Generation (or Generation Y, which is ages 18 to roughly 30) are renters or in the initial transition. This larger group should help homeownership in the future as they transition into it.

Affordability of Homeownership in TC Metro (Not Adj. for Inflation)

• June, 2006:	
▪ Median sale price	\$236,850
▪ Market interest rate	6.68%
▪ Monthly housing payments (PITI)	\$1,805
▪ Average monthly rent	\$860
• June 2011:	
▪ Median sale price	\$162,217
▪ Market interest rate	4.51%
▪ Monthly housing payments (PITI)	\$1,148
▪ Average monthly rent	\$921
• June 2014:	
▪ Median sale price	\$219,500
▪ Market Interest rate	4.16%
▪ Monthly housing payments (PITI)	\$1,509
▪ Average monthly rent	\$1,004

Source: Minnesota Housing based on data from the Minnesota Association of REALTORS®, Federal Reserve Bank, Minnesota Taxpayers Association, and U.S. Census Bureau.

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Another factor that may increase homeownership is affordability.

This slide shows the housing payment (principal, interest, taxes & insurance) for the median priced home in in June of 2006, 2011 and 2014 in the Twin Cities metro area. (The analysis examines the same month in each year because home sale prices fluctuate with the time of year, and we wanted consistency in the comparison. In addition, June is a prime home buying month.)

Key Points:

- In 2006, the housing payment on a median priced home was \$1,805 – more than twice as much as the average rent for an apartment (\$860).
- By 2011 (with much lower prices and interest rates), the housing payment on a median priced home was down to \$1,148 – just a couple hundred dollars more than the average rent (\$921).
- By 2014 (with higher prices but slightly lower interest rates), the housing payment was up to \$1,509 – about \$500 more than the average rent (\$1,004).

Implications:

- Buying a home is more affordable than it was in 2006.
- In fact, owning was almost as affordable as renting in 2011.
- This affordability should induce more people to become homeowners, but homeownership has declined since 2006.

Renting vs. Owning

- More Owning:
 - Generation Y is larger than Generation X
 - Homeownership is more affordable than in 2006
- More Renting:
 - People more cautious about homeownership
 - Generation Y likely to change jobs and locations – not tied down by homeownership
 - Tighter underwriting standards
 - Increasing levels of student debt

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What factors are potentially influencing the homeownership rate?

More Owning:

- As just discussed, the Millennial Generation (Generation Y) is relatively large and starting to transition into the homeowner phase of life.
- Homes are more affordable today than in 2006 with lower prices and interest rates.

More Renting:

- After the housing and foreclosure crisis, people are more cautious about homeownership.
- Even though Generation Y is starting to move into the traditional home buying age group, they may delay this step. They may want the flexibility to change jobs and locations and not be tied down by ownership.
- Tighter underwriting standards are limiting homeownership.

For example, analysts with the Federal Reserve Bank found that in a 18-month period, mortgage originations for home purchases declined by 50 percent for borrowers with credit scores between 620 and 680 and by 15 percent for borrowers between 680 and 720. The change for borrowers with higher scores was minimal. (Federal Reserve Governor Elizabeth A. Duke, Comments at the Mortgage Bankers Association's Mid-Winter Housing Finance Conference, March 8, 2013.)

- Another factor may be increases in student debt levels and stricter debt-to-income requirements to qualify for a mortgage – debt payments (including mortgage, student loans, car loans etc.) not exceeding 43% of income.

Implications:

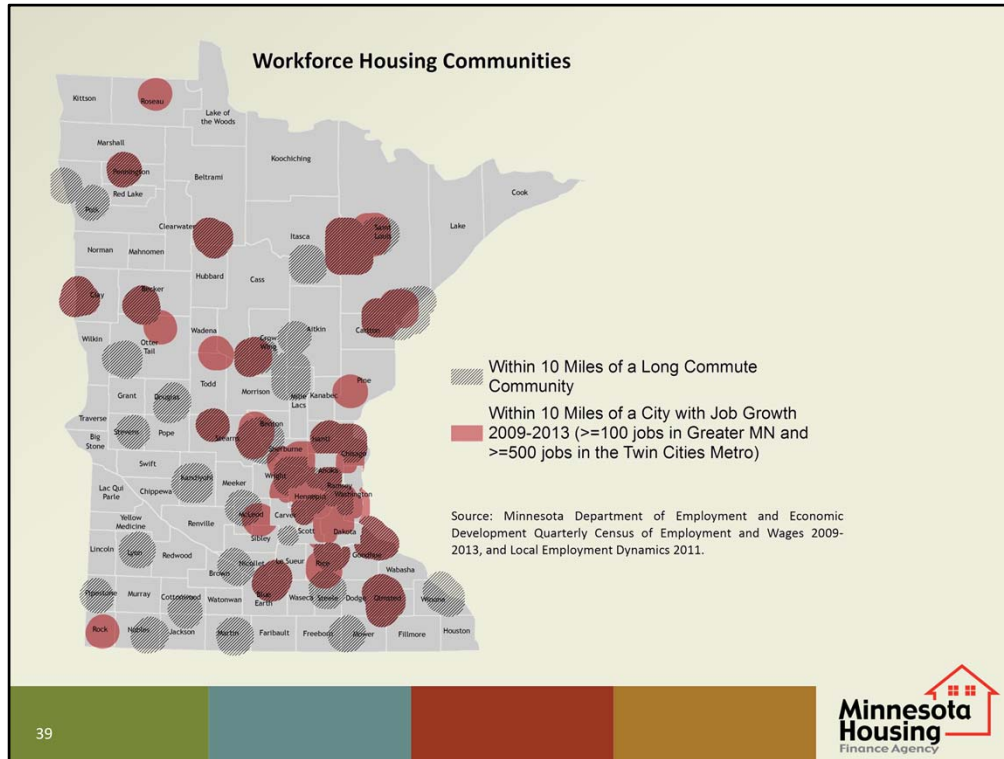
The difficulty in getting a loan makes Minnesota Housing's lending programs more important. It is one thing if people choose to not own; it is another if people who want to own and would be successful under the right circumstances are excluded. The Agency's programs can help people overcome these barriers.

Theme/Trend #5

Housing for a Growing Workforce

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With an growing economy, workforce housing has become an issue.

To help assess the need, we identified 77 communities in Minnesota with workforce housing needs.

Key Points:

- The cities/townships in maroon have at least 2,000 jobs and significant job growth over the last five years (100 additional jobs in Greater Minnesota and 500 additional jobs in the metro area). To accommodate this growth, additional housing is needed
- The cities/townships with the hatched lines have at least 15% of the workforce commuting at least 30 miles into the communities for their jobs. The long commute may signify a lack of workforce housing in these communities.
- To account for a reasonable commute, the map adds a 10 miles commute shed around Greater Minnesota communities and a 5 mile commute shed around metro area communities.

Implications:

- There are workforce housing communities across most of the state.

Rental Needs in Workforce Housing Communities

- 2.5% rental vacancy rate in both Greater Minnesota and the Metro area – reflecting a shortage
- In the 77 workforce housing communities, 4,500 to 7,500 additional units are need to bring the vacancy rate up to 4%-5%, reflecting a more balanced rental market, in properties with 5+ units.
 - Would address current shortage
 - Does not account for shortage in properties with 1-4 units
 - Does not account for increasing demand with additional job and household growth in these communities
 - Does not account for units currently under construction but not ready for occupancy

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How many rental units are needed to address the workforce housing needs in these communities?

- We estimate the vacancy rate to be about 2.5% in these communities.
- To raise the vacancy rate to 4% - 5% (reflecting a more balanced market), these communities would need 4,500 to 7,500 additional rental units.
- This estimate has a few caveats. The estimate:
 - Only addresses the current shortage rental housing,
 - Only applies to properties with 5+ units, and excludes rental properties with 1-4 units,
 - Does not account for increasing demand because of job and household growth, and
 - Does not account for units currently under construction, but not ready for occupancy.

Wages in Workforce Housing Communities

- In most of these communities:
 - Over 90% of the new hires have an income within the Challenge program limits
 - The median renter income is more than \$25,000 less than the Challenge program limits.

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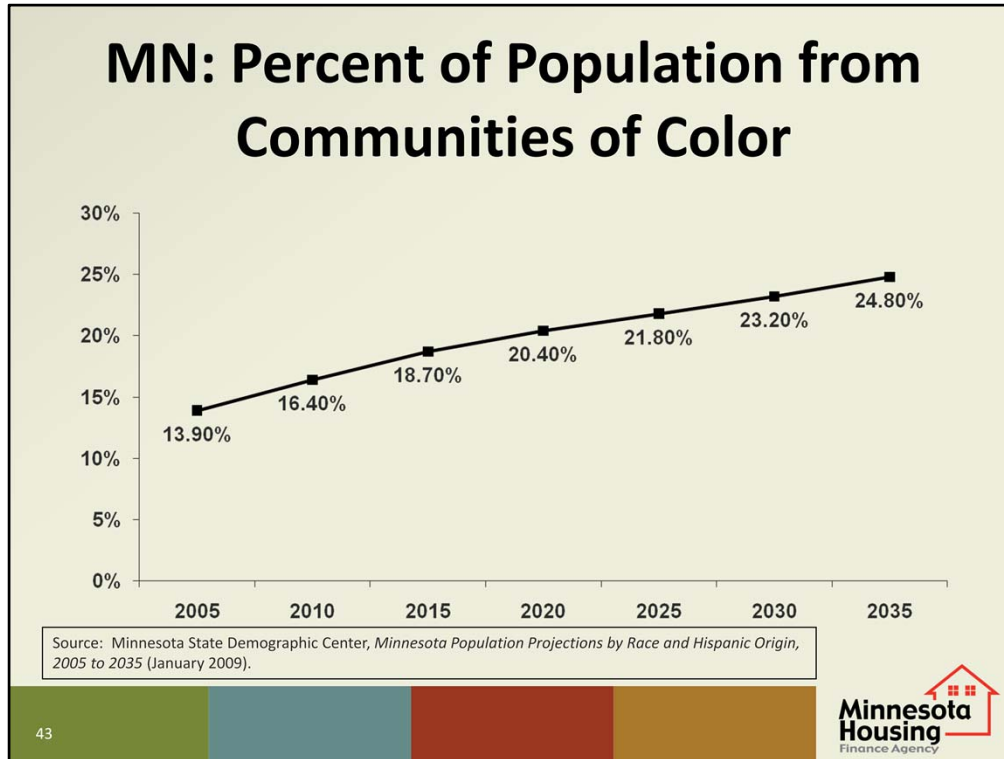
Minnesota Housing has used its Economic Development and Housing / Challenge program to finance workforce housing.

Key Points:

- Most of the workforce housing needs in these communities fall within the program parameters of the Challenge program.
- The income limits for most of the state is \$59,360 (80% of the statewide median income), with higher limits in the Twin Cities and Rochester metro areas.

Theme/Trend #6

Minnesota is becoming more diverse, but disparities in homeownership are significant



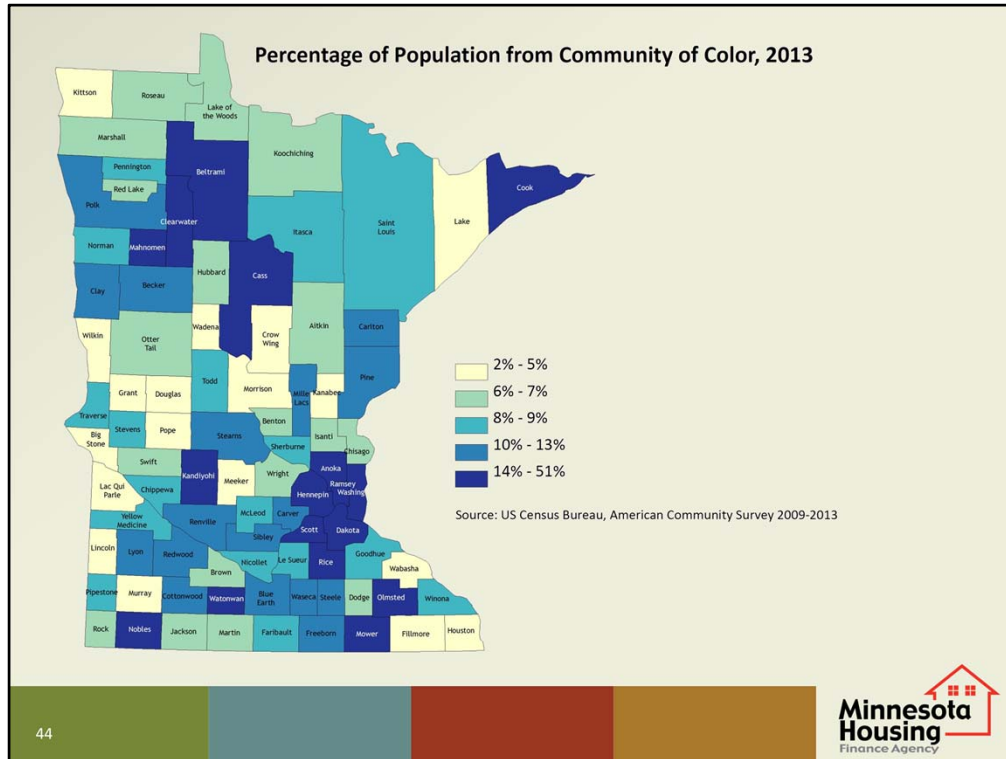
This graph shows a projection from the State Demographer's Office about the increasing share of the state's population that is from a community of color or of Hispanic ethnicity.

Key Points:

- By 2035, roughly 25% of the state's population will be of color or Hispanic ethnicity.

Implications:

- The housing needs of people of color or Hispanic ethnicity will become more predominant as they will account for a larger share of the population.



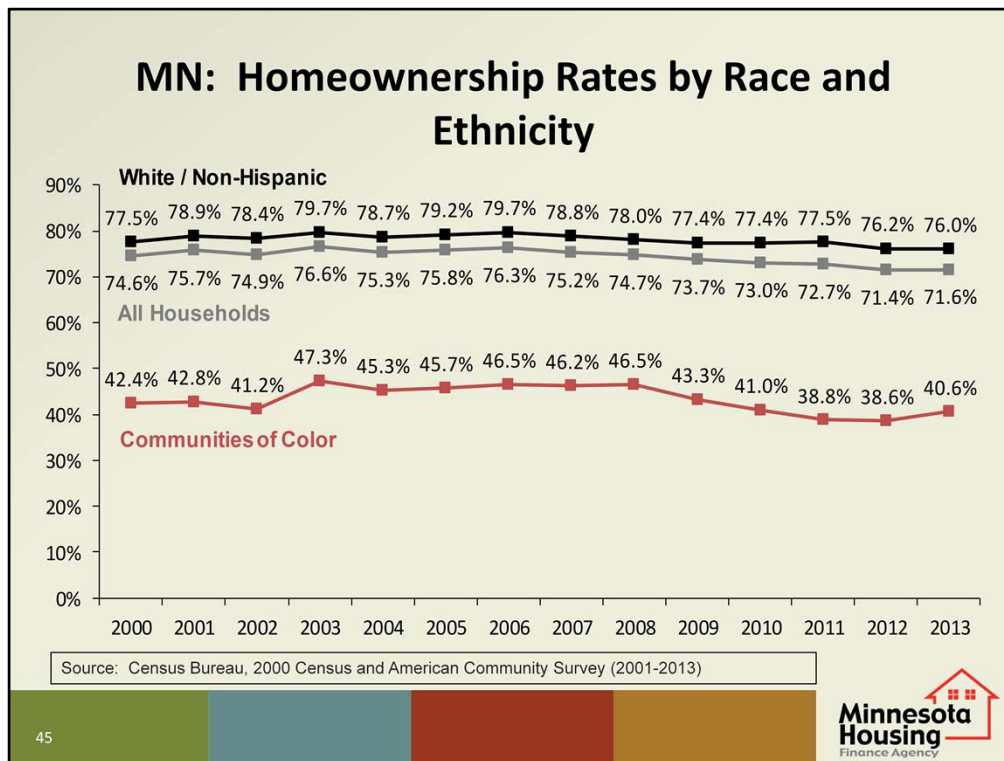
The distribution of the state's population of color or Hispanic ethnicity is not even, as shown in this map.

Key Points:

- The percentage in each county varies from 2% to 51% of the population.

Implications:

- The housing needs of people from communities of color play a critical role in some counties and will play an increasing role across the state.



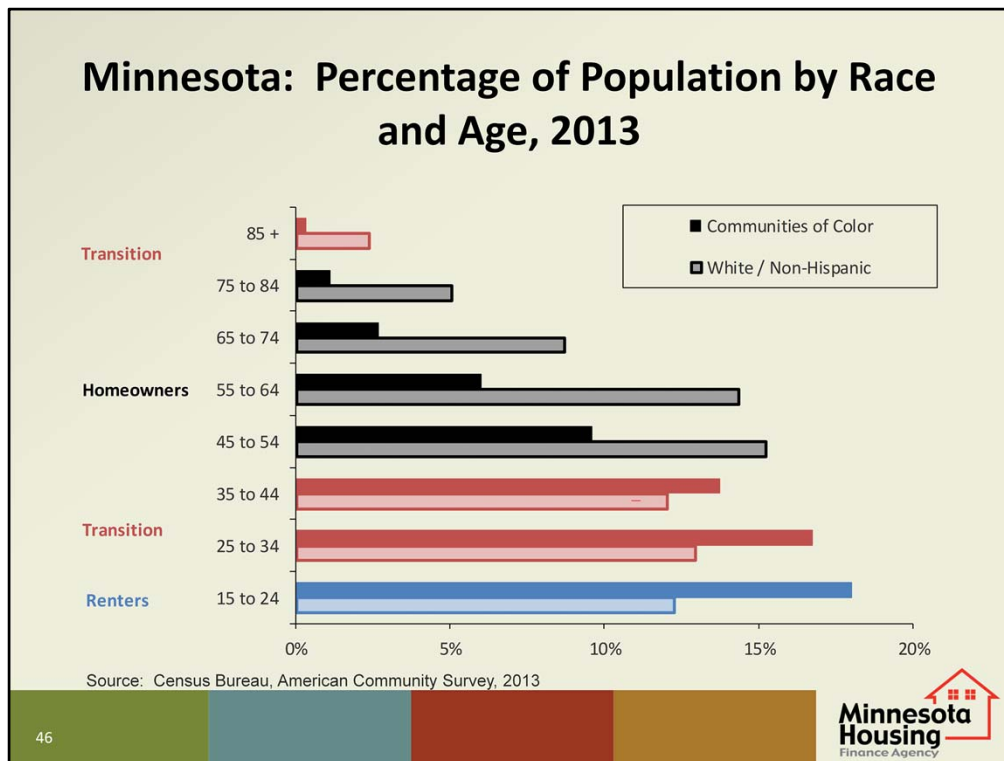
This graph compares the homeownership rates of households of color or Hispanic ethnicity with white/non-Hispanic households.

Key Points:

- Minnesota's 35.4 percentage point disparity in homeownership rates between white/non-Hispanic households and households of color is the third largest in the country.

Implications:

- Minnesota Housing has estimated that about 25% of renter households that are income eligible for its mortgage programs are of color or Hispanic ethnicity. If the Agency wants to address the homeownership gap and ensure that it does not have any disparities in its lending, the share of its loans going to households of color or Hispanic ethnicity should be in this range. This is an imperfect standard because it does not take into account people who may or may not be eligible for a mortgage because of low credits scores, high debt-to-income ratios, or other underwriting criteria. Nevertheless, it is an informative benchmark.
- Between 2009 and 2013, the Agency's actual percentage has been between 23% and 33%, which reflects no disparities in its own lending.
- In contrast, the share of mortgages in the overall Minnesota market going to households of color or Hispanic ethnicity ranged between 9% and 11% during that time.



This graph shows the share of the Minnesota population in various age groups, broken out between communities of color/Hispanic ethnicity (solid bars) and the white/non-Hispanic population (hatched/shaded bars). In addition, the bars are color coded to reflect the housing phase of each age group (renter, transition, and homeowner).

Key Points:

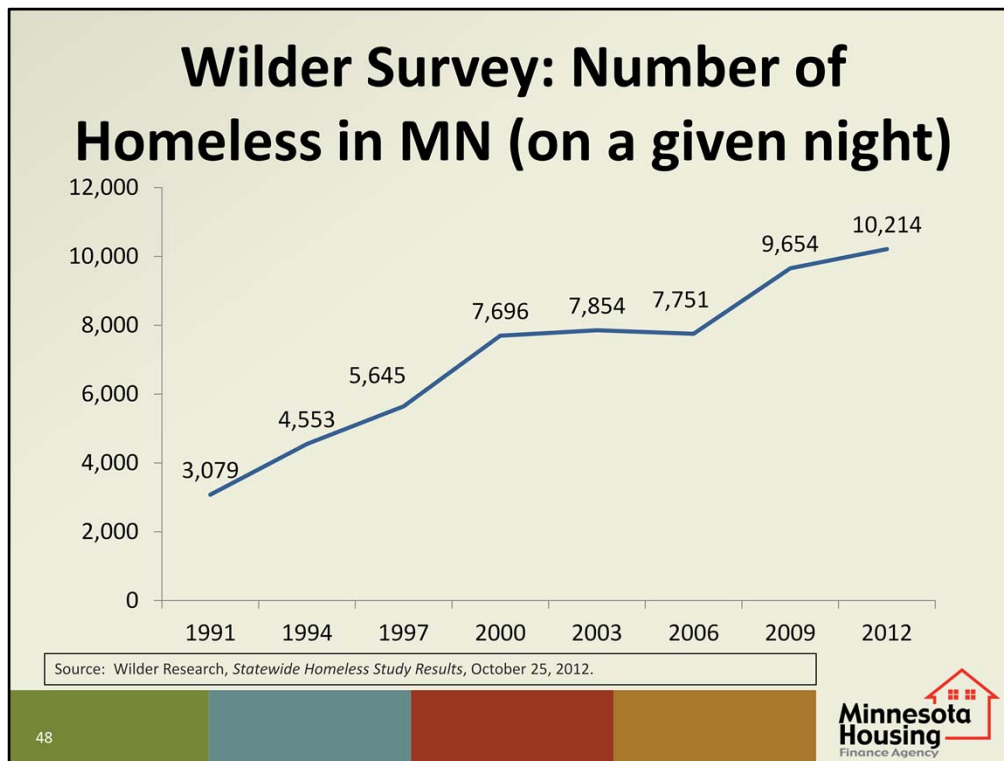
- The largest age group for people of color is the youngest one shown (15 to 24 year olds), accounting for 18% percent people of color (see solid blue bar at the bottom). The size of each older age group gets smaller and smaller (see the successive solid bars moving up the graph).
- In contrast, the largest white/non-Hispanic age group is the 45-54 year olds (the bottom black hatched/shaded bar), accounting for 15% of the white/non-Hispanic population.
- The largest community of color age groups are in the renter or transition phases, while the largest white/non-Hispanic age group is in the homeowner phase.

Implications:

- While households of color or Hispanic Ethnicity are far more likely to be renters, they comprise a sizable and growing share of the population that will transition to homeownership (25 to 44 year olds).

Theme/Trend #7

**Homelessness is increasing, but
there are areas of improvement**



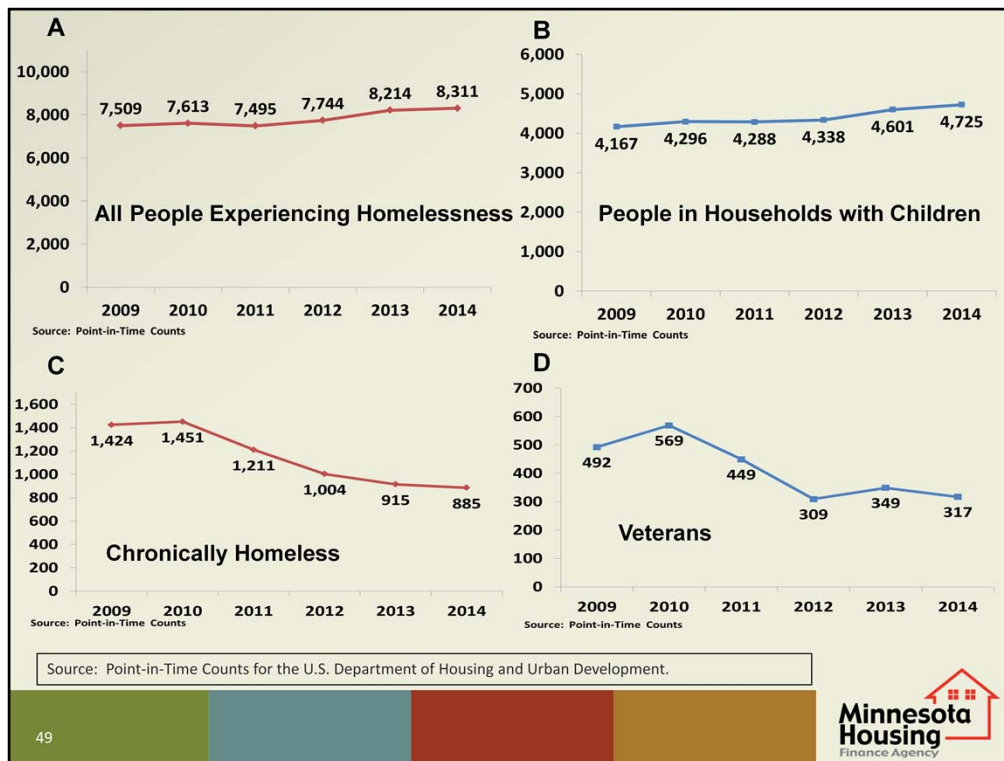
This graph shows the number of homeless on a given night in Minnesota.

Key Points:

- The issue of overall homelessness in Minnesota got worse in recent years.
- With the Great Recession, there was a dramatic increase in the number of homeless between 2006 and 2009.
- The number increased again in 2012, but less dramatically.

Implications:

- The Agency has done significant work to address homelessness.
 - It played a lead role in completing the state's Business Plan to End Long-Term Homelessness, which financed over 4,000 supportive housing opportunities for households experiencing long-term homelessness.
 - We have played a key role in reconstituting the Minnesota Interagency Council on Homelessness (11 state agencies) and developing the state's current Plan to Prevent and End Homelessness.
 - In the fall of 2014, we funded the development of nearly 690 supportive housing units for individuals and families experiencing homelessness, which was possible with the availability of Housing Infrastructure Bonds.
 - In addition to financing the development of housing units for people experiencing homelessness, the Agency has programs to prevent homelessness:
 - Family Homeless Prevention and Assistance Program (FHPAP):
 - ❑ 7,913 households assisted in 2014
 - ❑ Median income of \$10,140
 - Housing Trust Fund Rent Assistance:
 - ❑ 1,792 households assisted in 2014
 - ❑ Median income of \$8,796
 - Bridges (rent assistance for people with a mental illness):
 - ❑ 704 household assisted in 2014
 - ❑ Median income of \$9,624



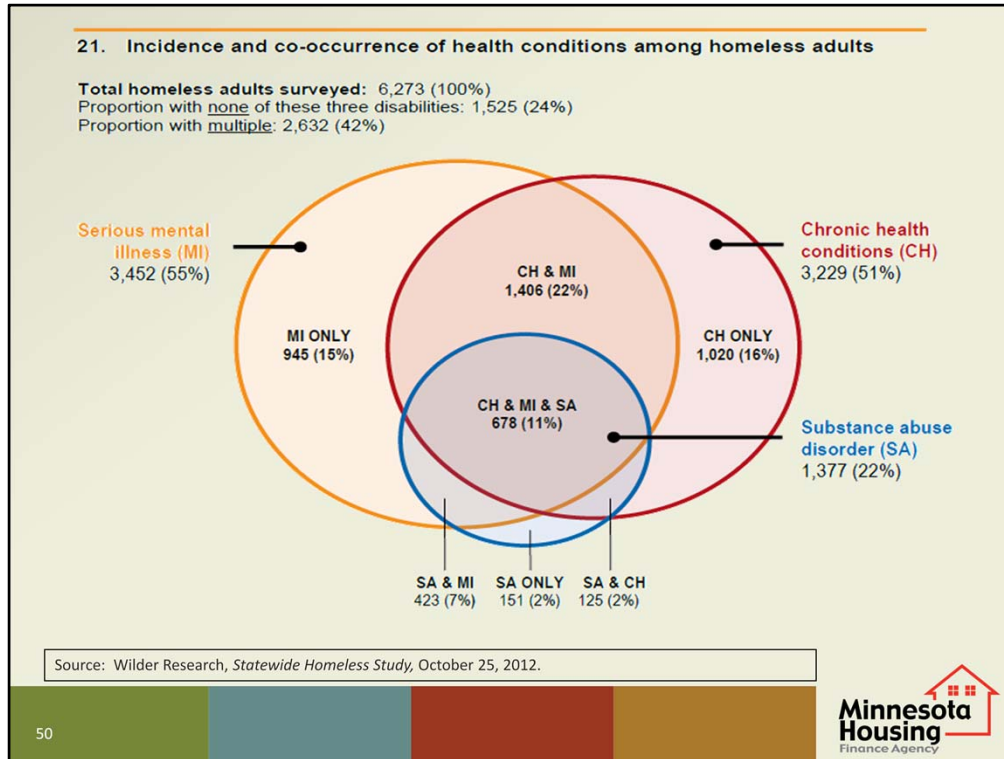
These graphs show trends in the number of people experiencing homelessness by sub-populations. These numbers come from HUD's Point-in-Time count, which is a different source and provides slightly lower numbers than Wilder Research estimates in the previous slide. These numbers have the advantage of being produced annually.

Key Points:

- While the number of people experiencing homelessness has gone up overall (graph A), it has declined for veterans and the chronically homeless. (See graphs C and D.) These populations have received increased attention in recent years, which is reflected in the downward trends.
- The number of people in households with children experiencing homelessness has increased and mirrors the overall increase in homelessness. (See graph B.)

Implications:

- The state Plan to Prevent and End Homelessness will address all types of homelessness and turn all the curves downward.



Serving people with disabilities and health conditions is a key part of addressing homelessness. This diagram shows the number and share of homeless adults with various conditions and how the incidence of those conditions overlap for people experiencing homelessness one night in October 2012.

Key Points:

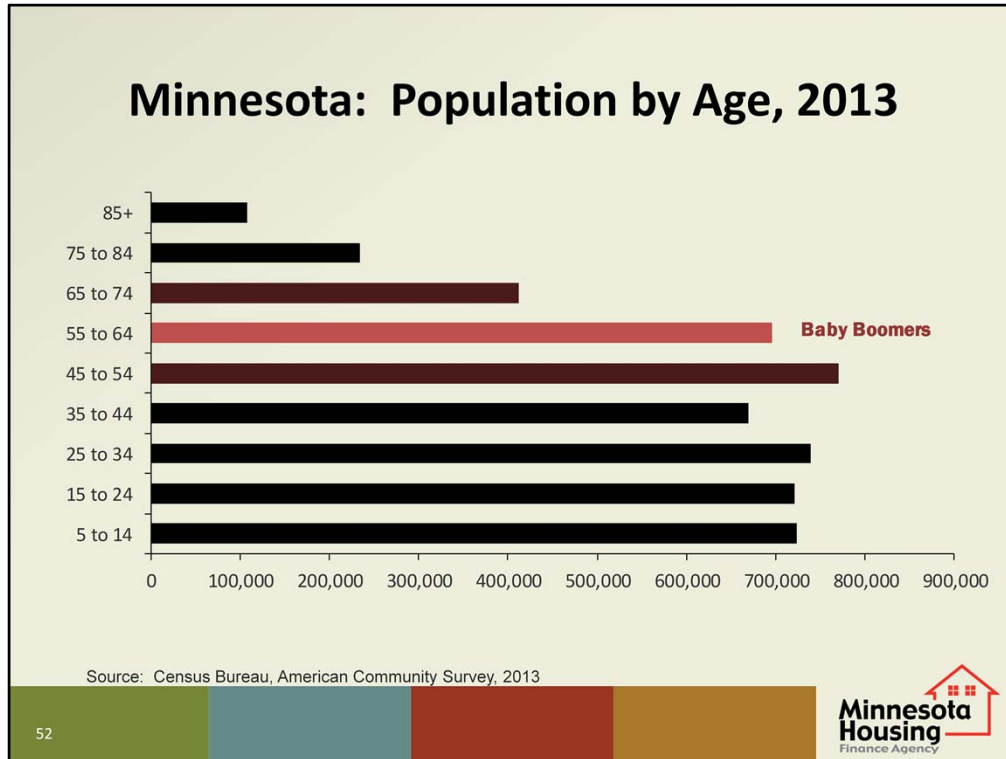
- Of the 6,273 homeless adults who were surveyed, 4,748 (76%) had at least one of the following conditions: (1) serious mental illness, (2) chronic health condition, or (3) substance abuse disorder.
- 42% has two or more conditions.
- 11% were experiencing all three conditions.

Implications:

- Homelessness is more than just a housing issue.
- Providing housing with service linkages is a critical strategy.
- Minnesota Housing needs to continue and strengthen its partnerships.

Theme/Trend #8

**The aging Baby Boom
generation will create new
housing needs**



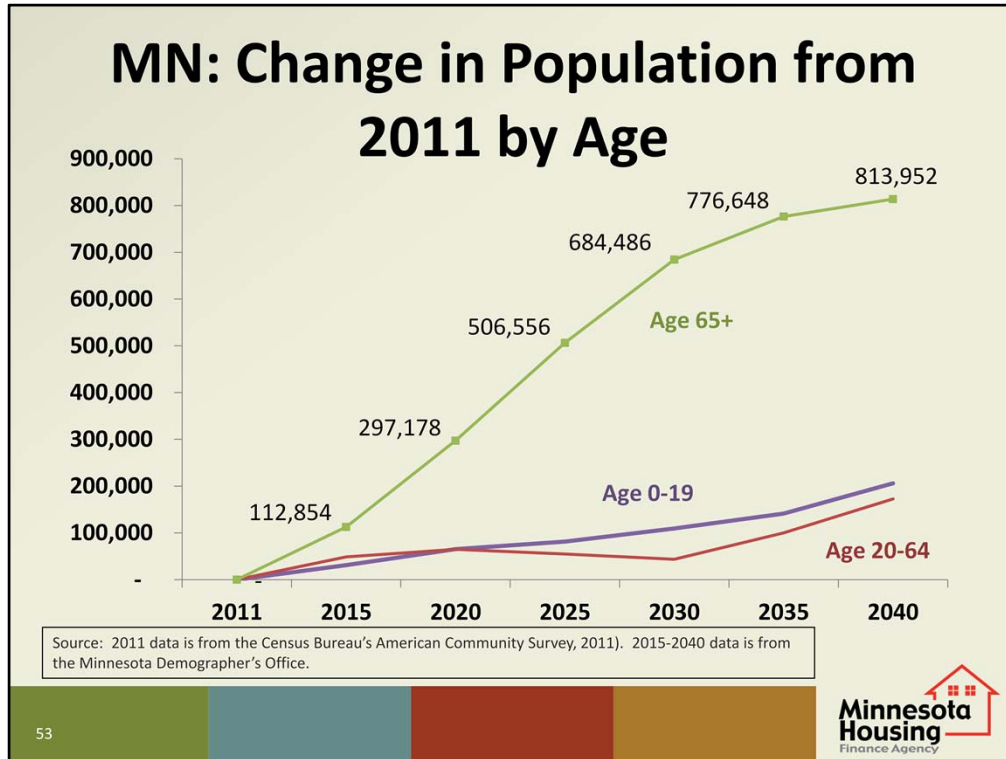
This graph shows Minnesota's population by age group in 2013, highlighting the Baby Boom generation, which is entering retirement age.

Key Points:

- The Baby Boom generation includes people born from 1946 through 1964. In 2013, Baby Boomers were between the ages of 49 and 67, which is represented by the maroon bars in the graph. The maroon and black checkered bars partially include baby boomers
- Baby Boomers are a large age cohort, particularly the younger boomers (ages 49 to 54 in the graph).

Implications:

- Baby Boomers and their housing needs will play a key role in driving the overall housing market in the coming years.



This graph shows the increase in the number of people that the State Demographer's Office expects to be in each age group through 2040. The number in each year is the increase from the base year of 2011 (when Baby Boomers first became 65). For example, there will be nearly 113,000 more seniors in 2015 than there were in 2011. By 2040, there will be almost 814,000 more seniors than there were in 2011.

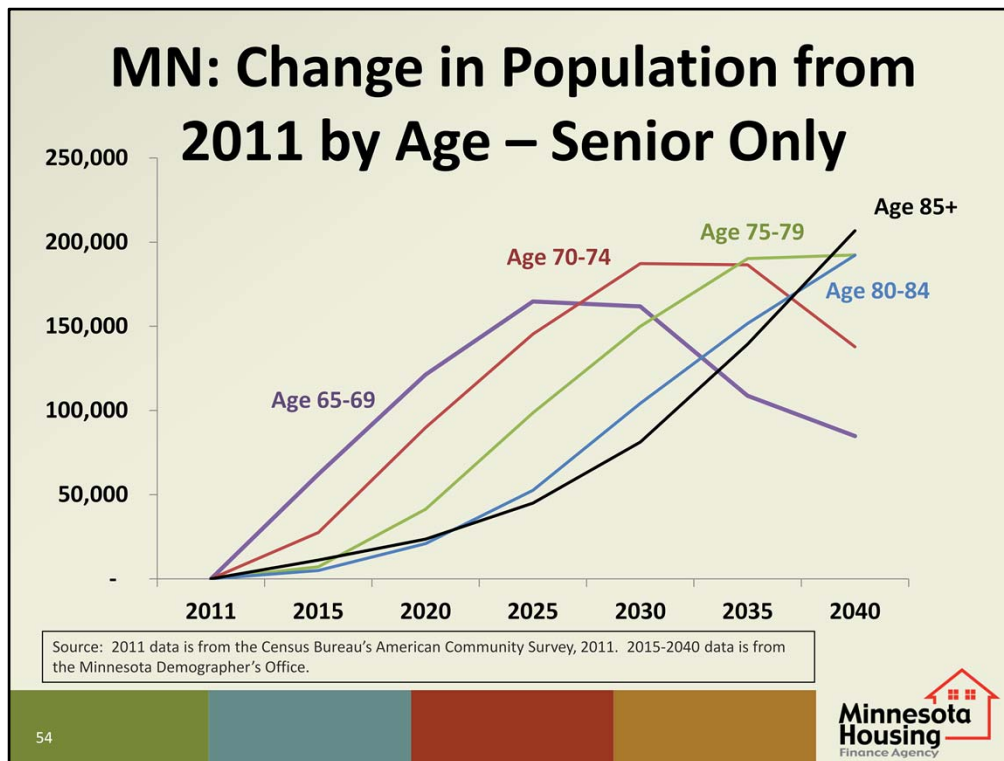
As a point of reference, there were about 705,000 people age 65 or older in 2011. The senior population is expected to double from the 2011 level sometime between 2030 and 2035.

Key Points:

- The senior population will be increasing rapidly.

Implications:

- With limited resources, how does Minnesota Housing address the affordable housing needs of this growing population and also address the needs of families with children and adults without children?



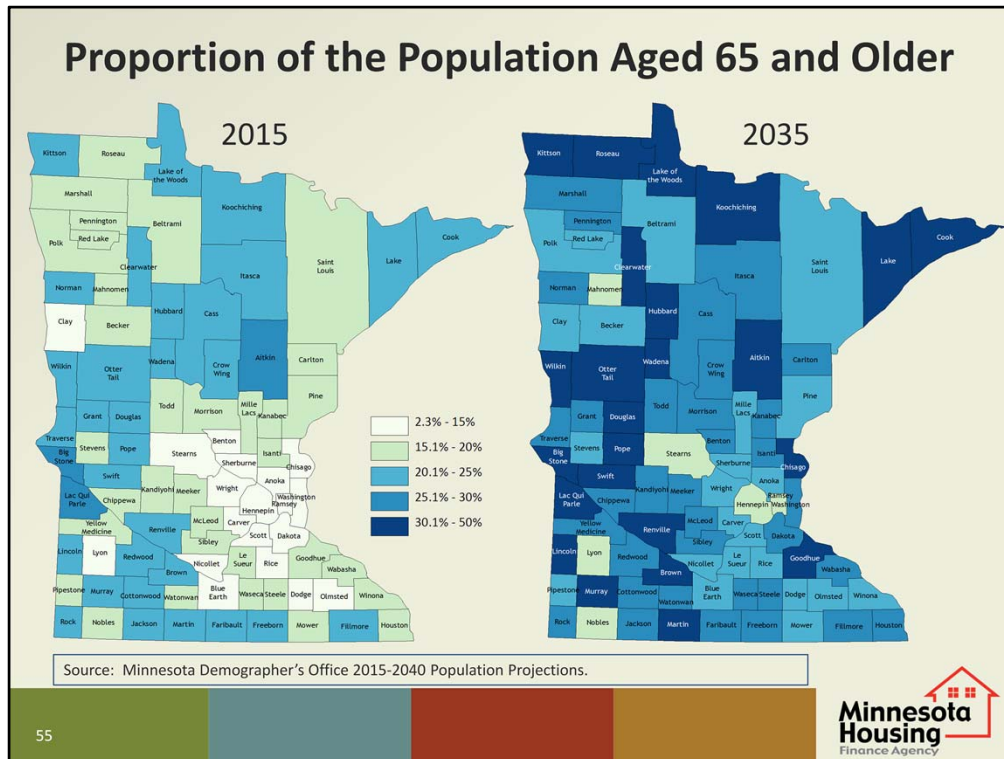
This graph is the same as the previous one, but just shows the senior population by age group.

Key Points:

- The initial big increase in each age group (shown by the kink in the graph) occurs in the following years:
 - Age 70-74 after 2015
 - Age 75-79 after 2020
 - Age 80-84 after 2025
 - Age 85+ after 2030
- The largest part of Baby Boom generation (those under 55) will not start reaching age 75 until 2030 and age 85 until 2040.

Implications:

- Seniors at different ages and levels of independence have different housing and service needs. Typically, the youngest seniors live independently in the community, while the oldest (particularly those with disabilities) need services and support.
- How should the state plan for these shifting needs as the Baby Boom generation ages?



This slide shows how the percentage of seniors in each county will change between 2015 and 2035.

Key Points:

- In 2035, seniors will account for more than 30% of the population in many counties, particularly in western and northern Minnesota.
- Seniors will account for less than 20% of the population in only a handful of counties.

Key Trends for Baby Boomers and Retirement

- Will play key role in dictating housing needs over the next few decades
- Healthier and more energetic than current seniors
- Pushing back retirement and living in life care facilities
- Want to stay in their communities
- Wants and needs:
 - Housing that is senior friendly, not necessarily senior housing
 - Access to services (e.g. health care and support) and amenities

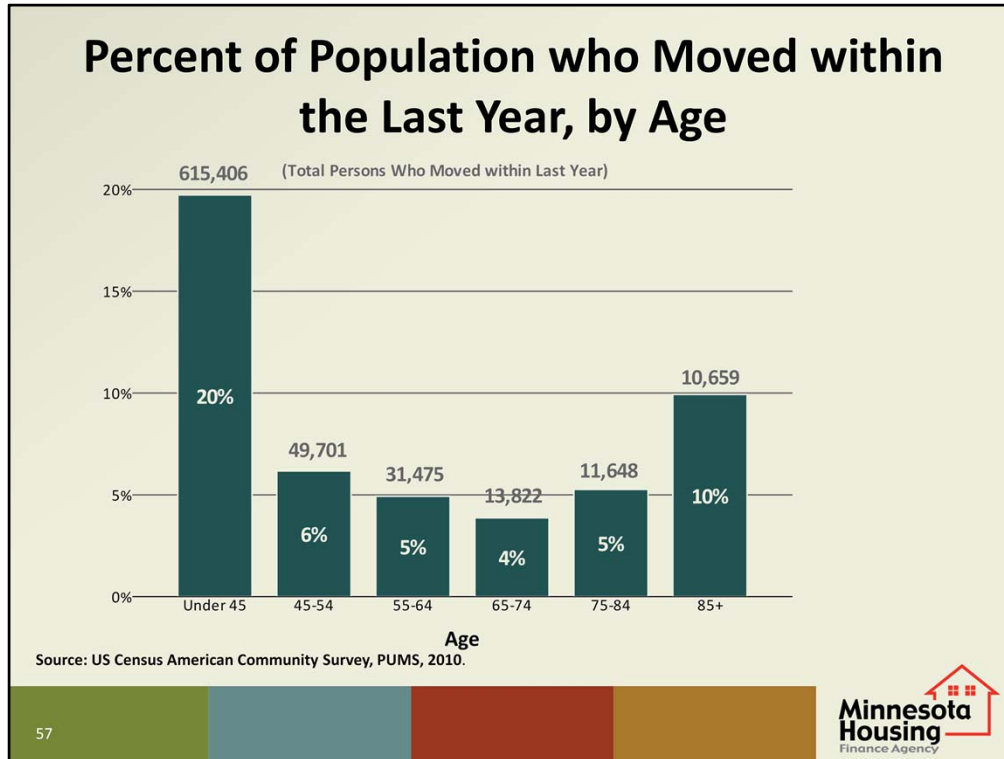
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This slide summarizes some the key findings in the research literature about housing for seniors.

Implications:

- Minnesota will face challenges in meeting the housing needs of seniors that is: (1) affordable, (2) keeps them in the community as long as possible, and (3) provides adequate access to care, services, and amenities.
- This will be particularly challenging in rural areas.



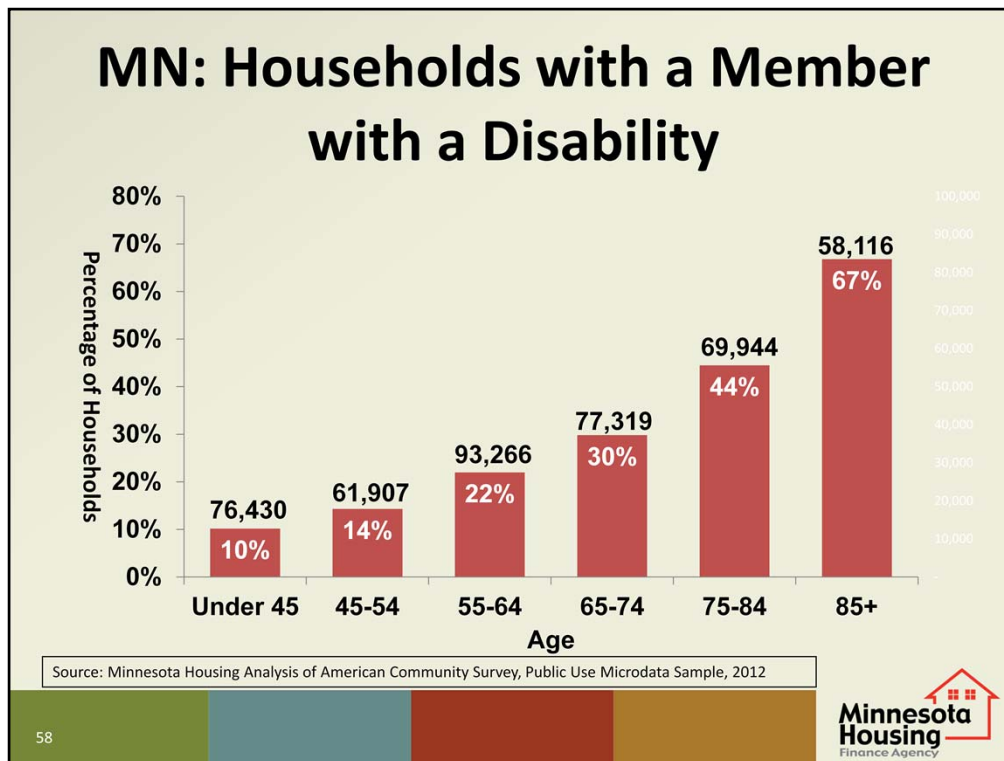
This slide shows the percentage of people by age group that moved in the last year, with the actual number of people moving shown in the figure at the top of the bar.

Key Points:

- People in the initial retirement years of 65 to 74 are the least likely to move, only 4% per year.
- People age 85 or older are the second most likely to move.

Implications:

- Initially, seniors are very likely to stay where they are currently living.
- Later in retirement, typically after age 85, they are more likely move as independent living is no longer a viable option.



One of the key issues that seniors will face is access to support services and health care. This graph shows the number and percentage of households in each age group that have a household member with a disability. People with disabilities have a greater need of services.

Key Points:

- After age 84, 67% of households have a member who is disabled.
- Through the retirement years (from 65 to 85+), the percentage increases from 30% to 67%.

Implications:

- As Baby Boomers age in their retirement, access to support and health services will become more important. In addition, design features in homes and apartments will be important. Universal design (e.g. zero-step entrances, wide doorways and hallways for wheel chairs, framing that allows easy installation of grab bars, etc.) will allow seniors to age in place.

MN: Lower-Income Homeownership Rate by Type

	With Income <= 50% of HUD Statewide Median (adj. for household size)	With Income <= 30% of HUD Statewide Median (adj. for household size)
Senior Households	64%	53%
Non-Senior Households w/o Children	34%	26%
Non-Senior Households with Children	29%	21%

Source: Census Bureau, American Community Survey, 2012, Public Use Microdata Sample (PUMS). Median income data from HUD.

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As Minnesota plans for the housing needs of the Baby Boom generation, it needs to keep in mind that most seniors, even low-income seniors, are homeowners. This table shows the share of households by type (senior and child status) that are homeowners by their income level.

Key Points:

- 53% of senior households with income at or below 30% of AMI are homeowners.

Implications:

As this table and the previous slides indicate, homeownership needs will be an initial concern:

- The largest group of baby boomers are still under age 55,
- Most seniors (including low-income) are homeowners, and
- Most seniors remain homeowners to at least ages 75-84.

If current living patterns continue, the largest group of Baby Boomers won't be transitioning from homeownership to renting for at least another 20 years. What will be the housing needs of these lower-income homeowners? Will it be home repair and maintenance? Will it be the installation of accessibility features to the home? Something else?

Nevertheless, the number of senior renters will also be increasing each year. Rental housing with services will become more and more important over time. What should be Minnesota Housing's priorities as the number of Baby Boomers age 65, 75, and 85 grows?

MN: Share of Units/Households by Age of Household Head or Household Member

	Share Age 62+
Units in Minnesota Housing, Project-Based Section 8, USDA Rural Development, Public Housing Portfolio	28%
All Low-Income Renter Households in Minnesota	20%

Source: Tenant data on subsidized units are from Minnesota Housing, U.S. Department of Housing and Urban Development, and U.S. Department of Agriculture; data on all lower-income renter households are from U.S. Census Bureau, *American Community Survey, 2012*.

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This graph shows share of senior households in:

- Minnesota Housing's rental programs, HUD's project-based Section 8 units, USDA's Rural Development properties, and public housing that have seniors, and
- The general population of low-income renters.

Key Points:

- The share of seniors in the housing programs is greater than the share in the general population of low-income renters.

Implications:

- While there is an inadequate supply of affordable housing across the state, rental housing programs currently serve seniors on a basis that is slightly greater than their proportion of the population.
- However, as the previous slides show, the number of senior households renting will likely increase dramatically as the baby boomers reach age 75 and then 85.

Number of Senior Households by Income Level and Tenure (2012)

	Number of Renter Households	Percentage of Renter Households	Number of Owner Households	Percentage of Owner Households
Below Poverty	21,390	21%	23,529	6%
Poverty to 30% of Statewide Median Income*	18,724	19%	22,094	6%
31% to 50% of Statewide Median Income	24,583	24%	71,374	18%
51% to 80% of Statewide Median Income	17,647	18%	96,555	24%
Great than 80% of Statewide Median Income	18,090	18%	186,378	47%
Total	100,434	100%	399,930	100%
* Excludes 4+ person households, where poverty level is above 30% of median				

Source: Minnesota Housing analysis of Census Bureau, 2012 American Community Survey, Public Use Micro-data Sample (PUMS).



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This graph shows a more detailed breakout of the senior population by income level and housing type:

Key Points:

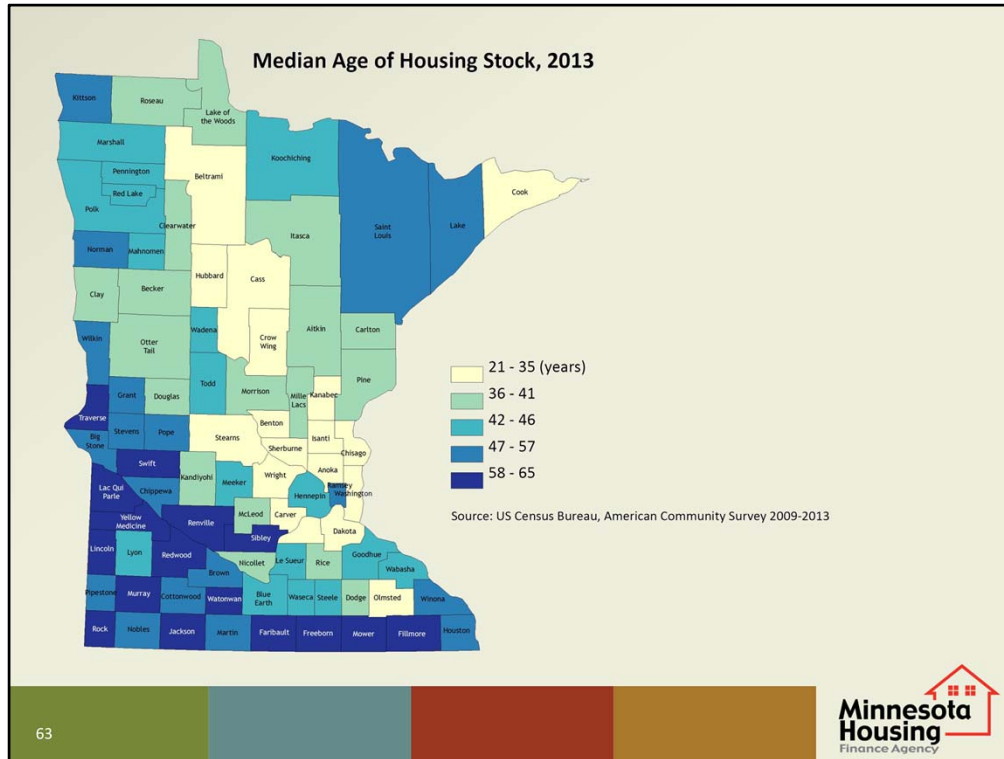
- 40% of senior renter households have incomes at or below 30% of AMI.

Implications:

As Minnesota Housing considers its objectives and priorities for serving senior renters, the populations with the greatest needs and fewest options should be an important consideration.

Theme/Trend #9

Minnesota has an aging housing stock



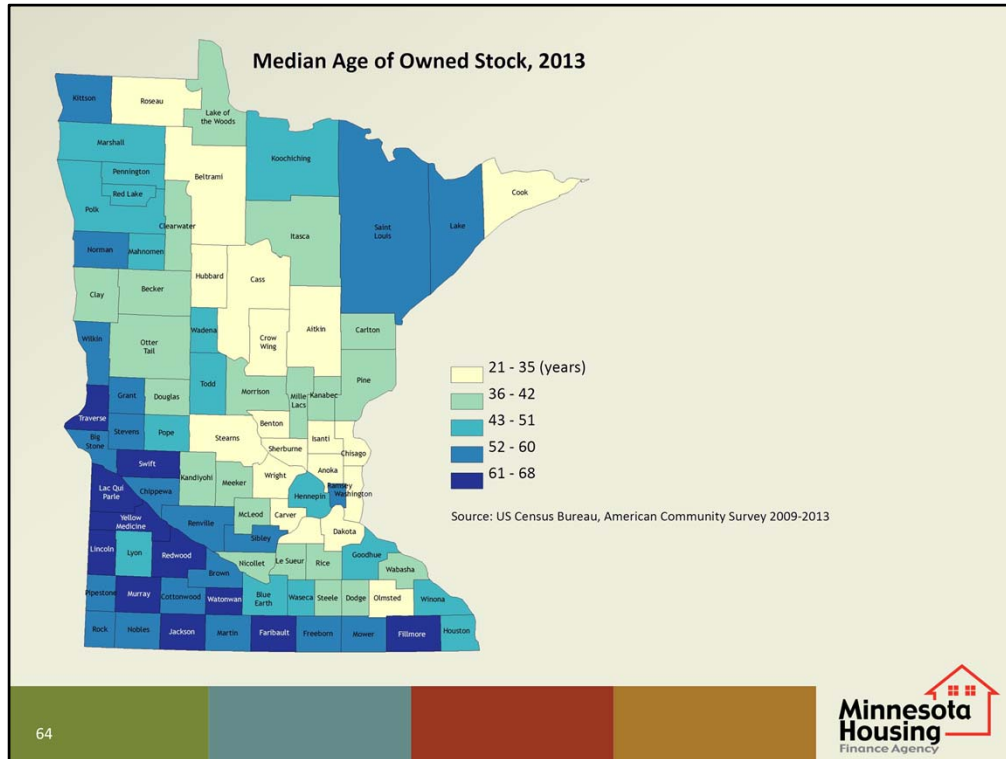
This map shows the median age of the housing stock in each county.

Key Points:

- The median age of housing in the southwestern and southern-border counties is generally over 57 years. Many of these housing units may need significant repairs or rehabilitation.

Implications:

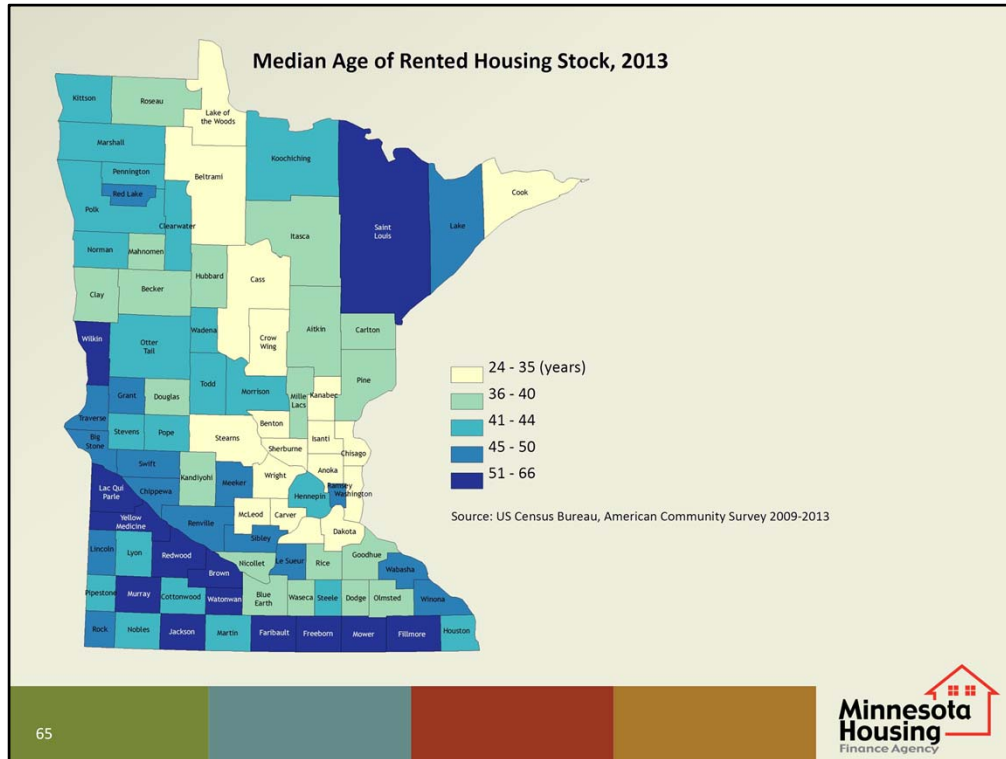
- The Agency has a wide range of programs available for repairing, rehabilitating, and improving older and/or deteriorating properties, which includes:
 - Single Family:
 - Fix-Up Fund
 - Rehabilitation Loan Program
 - Community Homeownership Impact Fund
 - Multifamily:
 - Low and Moderate Income Rental (LMIR)
 - Low-Income Housing Tax Credits (LIHTC)
 - Preservation Affordable Rental Investment Fund and HOME Affordable Rental Preservation (HARP)
 - Economic Development and Housing/Challenge
 - Asset Management (including FA/FAF)
 - Rental Rehabilitation Deferred Loan Program (RRDL)
- We need to make sure that we use these funds strategically and effectively.



This map shows the median age of the owner-occupied housing stock.

Key Points:

The pattern is very similar to the pattern for the overall housing stock, which is consistent with Minnesota's high homeownership rate, especially in Greater Minnesota.



This map shows the median age of the rental stock (some of which are single-family homes that are rented).

Key Points:

- The age of the rental stock is generally younger.

Preserving Federally Subsidized Rental Housing

- Minnesota has nearly 40,000 federally subsidized rental units, including:
 - 31,000 project-based Section 8, and
 - 7,000 USDA Rural Development Section 515.
- These properties were generally developed in the 1970s and early 1980s.
- Many have capital improvement needs and limited reserves to pay for them.
- With their rent subsidies, Minnesota Housing has made the preservation of federally subsidized units a priority.

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While the State of Minnesota needs to preserve all types of affordable housing, preserving federally subsidized units are a current priority. The rent subsidies provided for these project-based units ensures that tenants pay no more than 30% of their income on rent.

- Minnesota has nearly 40,000 federally-subsidized units.
- They were generally developed in the 1970s and early 1980s.
- Many have capital improvement needs and limited reserves to pay for them.

Preserving Other Affordable Housing

- Minnesota has roughly 300,000 rental units that are affordable to households with incomes at or below 50% of AMI
- Of those:
 - Nearly 40,000 are federally-subsidized
 - Over 60,000 are affordable through other income or rent limits
 - Roughly 200,000 are naturally affordable, many of which may be affordable because they need significant repairs or rehabilitation

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Preservation of other units also needs to be addressed.

Key Points:

- While project-based rental subsidies are key because they provide the deepest subsidies, preserving other affordable units are also important.
- Of Minnesota's roughly 300,000 rental units that are affordable for households with incomes at or below 50% of AMI:
 - Just under 40,000 are affordable through rent subsidies.
 - Over 60,000 are affordable through other income or rent limits.
 - Roughly 200,000 are naturally affordable without income or rent limits.
- Many of the naturally affordable units are affordable because they need significant repairs or rehabilitation.

Summary: Key Themes & Trends

1. Minnesota needs more affordable housing.
2. The economic and housing recoveries are expected to continue.
3. Future cost-burden numbers will depend on the relative sizes of the housing cost and income changes.
4. With a stronger economy, new households are forming, increasing demand for housing (most recently in the rental market).
5. The strengthening economy and growing number of jobs has increased the need for affordable workforce housing

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In closing and summary, this slide and the following one just restate the 9 key theme and trends.

Summary: Key Themes & Trends

6. Minnesota is becoming more diverse, but disparities in homeownership are significant.
7. Homelessness is increasing, but there are areas of improvement.
8. The aging baby boom generation will create new housing needs and challenges.
9. Minnesota has an aging housing stock.

For More Information

Contact:

John Patterson

Director of Planning, Research & Evaluation

Minnesota Housing

john.patterson@state.mn.us

(651) 296-0763